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24 August 1983

## LATIN AMERICA REPORT

No. 2729

## CONTENTS

## ENERGY ECONOMICS

## ARGENTINA

- Energy Secretary Guadagni on Plans, Policy  
(Alieto Guadagni Interview; ENERGEIA, No 36, Jun 83) .... 1

## ECUADOR

- Crude Production Increases by 10 Percent  
(EL COMERCIO, 21 Jul 83) ..... 8
- Bids for Oil Exploration, Production Requested  
(EL COMERCIO, 5 Jul 83) ..... 10
- CEPE Manager Anticipates Gasoline Production Surplus  
(EL COMERCIO, 18 Jul 83) ..... 12
- Briefs  
Crude Oil Sale Increase - 13

## VENEZUELA

- PDVSA Reportedly Facing Difficult Financial Situation  
(NUMERO, 31 Jul 83) ..... 14

## COUNTRY SECTION

## INTER-AMERICAN AFFAIRS

- Venezuela, Colombia Reach Agreement on Border Trade  
(EL ESPECTADOR, various dates) ..... 18
- Measures Outlined  
Businessmen, Exporters Praise Agreement,  
by Juan Alvaro Castellanos

Chilean View on Status of Beagle Mediation Presented (Various sources, 6 Jul 83) .....	22
Treaty Necessary Argentina Ready To Negotiate	
Attempts To Reactivate Beagle Negotiations Noted (TERCERA DE LA HORA, 19 Jul 83) .....	25
Briefs Chilean, Argentine Hydroelectric Projects	27
ARGENTINA	
Guadagni Reports on Trade Negotiations With USSR (LA PRENSA, 1 Aug 83) .....	28
Peronist Economist Setti Outlines Economic Policy Reforms (Eduardo Setti Interview; MERCADO, 16 Jun 83) .....	30
Economists Differ on Monetary Policy Under Next Government (CLARIN, 28 Jul 83) .....	40
Presidential Candidates' Relationship With Military Noted (J. Iglesias Rouco; LA PRENSA, 4 Aug 84) .....	43
UIA Issues Document Stating Concerns Over Economic Measures (LA NACION, 5 Jul 83) .....	46
UIA President Advocates Closer Relations With U.S. (LA PRENSA, 13 Jul 83) .....	48
More Realistic Barter Policy Sought (MERCADO, 7 Jul 83) .....	50
Briefs Wine for Trackless Trolleys	52
CHILE	
Volume, Value of Exports for January-April 1983 Reported (EL MERCURIO, 28 Jun 83) .....	53
Central Bank Reports on 1982-83 Wheat Production (EL MERCURIO, 1 Jul 83) .....	55
Opposition Leaders on Democracy, Communism, Armed Forces (Blanca Arthur; EL MERCURIO, 24 Jul 83) .....	57

## COLOMBIA

International Reserves Expected To Fall \$1.5 Billion in 1983 (Raul Rodriguez; EL SIGLO, 26 Jul 83) .....	65
Government's 4-Year Development Plan Announced (Carlos Pineros; EL TIEMPO, 22 Jul 83) .....	67
Treasury Fund Shortage, Budget Deficit Discussed (EL TIEMPO, 28 Jul 83) .....	74
PIB Growth During 1983 Projected To Approximately 2 Percent (EL TIEMPO, 23 Jul 83) .....	75
CSTC Urges Establishment of United Central Organization of Workers (EL ESPECTADOR, 23 Jul 83) .....	78
'Neptune Plan' Designed To Modernize Navy Discussed (EL ESPECTADOR, 25 Jul 83) .....	80

## CUBA

Commentary Claims U.S. Television Commercials Used for 'Warmongering' (Juan Marrero; GRANMA, 1 Jul 83) .....	82
Though Prices High, Buyers Flock to Stores in Havana (Eric Nepomuceno; O ESTADO DE SAO PAULO, 3 Jul 83) .....	84
Seychelles Minister Describes Bilateral Cooperation (Jacques Hodoul Interview; PRISMA LATINOAMERICANO, Jun 83) .....	87
Flavio Bravo Discusses Significance of Caracas Conference (Flavio Bravo Pardo Interview; BOHEMIA, No 28, 15 Jul 83) .....	90

## ECUADOR

Inflation Rate Has Reportedly Increased by 233 Percent (EL COMERCIO, 5 Jul 83) .....	95
Political Parties Launch Presidential Candidates (Miguel Rivadeneira; EL COMERCIO, 3 Jul 83) .....	97
Congress Approves Wage Increase for Teachers (EL COMERCIO, 6 Jul 83) .....	100

## EL SALVADOR

Union Appeals to Monetary Board on Labor Violations (EL MUNDO, 19 Jul 83) .....	102
--	-----

FENASTRAS Attacks Corruption, Government's Failures (EL MUNDO, 19 Jul 83) .....	107
Legal Aid Office Requests Greater Jurisdiction (EL MUNDO, 22 Jul 83) .....	113
Four Parties Unite in Election of First Secretary (EL MUNDO, 15 Jul 83) .....	115
PCN Leader Reiterates Goals, Denies Party Split (DIARIO LATINO, 12 Jul 83) .....	117
Briefs Students in Argentina Association .....	120
GUADELOUPE	
ERRATUM: In JPRS 84054, 5 August 1983, No 2718 of this series in article FIDOM ALLOCATES FUNDS FOR DEVELOPMENT on page 74, para 2, change line 2 to read: "several projects for French Guiana, Martinique and Guadeloupe on 18 May."	
GUATEMALA	
Mexican Newspaper Reports Secret Interrogation Center (EL DIA, 11 Jul 83) .....	121
Parties Optimistic After Meeting With President (Various sources, various dates) .....	124
CAN, MLC, PR Optimistic PNR Balks at Meeting Coalition Intact	
Newly Formed UCN Offers Balance to Polarization (DIARIO EL GRAFICO, 16 Jul 83) .....	127
PSC-POC Coalition Challenges Traditional Parties' Domain (DIARIO EL GRAFICO, 19 Jul 83) .....	128
Newly Formed FDC: 'An Alternative to Extremes' (PRENSA LIBRE, 19 Jul 83) .....	129
Briefs Peten Honey Production .....	132
Regional Monetary Board Agenda .....	132
New Party Founded .....	133
Two Coalitions Merge .....	133

## HAITI

Paper Raps Treatment of Migrants in Dominican Republic (LE PETIT SAMEDI SOIR, 18-24 Jun 83) .....	134
IRHC Signs Cooperation Agreement With Florida A & M (Nelson Bell; LE NOUVEAU MONDE, 25-26 Jun 83) .....	137
Briefs	
IDB Approves Agriculture Loan .....	139

## MEXICO

President Approves Reorganization of Sugar Industry (Isabel Zamorano; EXCELSIOR, 8 Jul 83) .....	140
Cotton Shortages Affect Exports, Textile Industry (UNOMASUNO, 21 Jul 83) .....	142
SECOFIN Increases Price of Bread, Tortillas (UNOMASUNO, 5 Jul 83) .....	144
UNAM Strike Ends Without Salary Increases (Antonio Ortega; EXCELSIOR, various dates) .....	146
Strikers Vote To Return UNAM Rector Comments	
Farmers Say Police Stop Trucks for Bribes (Federico Ortiz; EXCELSIOR, 4 Jul 83) .....	150
Leader Announces CTM Plans To Purchase Companies (Ubaldo Diaz; UNOMASUNO, 4 Jul 83) .....	152
City Leader Discusses Chiapas Separatist Movement (Victor Payan; EXCELSIOR, 4 Jul 83) .....	153
Finance Minister Discusses Bank Compensations (J. Jesus Rangel M.; EXCELSIOR, 2 Jul 83) .....	156
Capital Mayor Says Peaceful Demonstration Permitted (Isabel Zamorano; EXCELSIOR, 23 Jul 83) .....	161
TROMEX Contracts Provoke CROC-CTM Violence (EL NORTE, 20 Jul 83) .....	163
Commission Director Discusses Mexico Valley Pollution (Marco A. Mares; UNOMASUNO, 5 Jul 83) .....	166
PEMEX Director Adopts Environmental Protection Policy (Antonio Garza Morales; EXCELSIOR, 14 Jul 83) .....	168

## NICARAGUA

Official Discusses Country's Achievements in Foreign Trade (EL NUEVO DIARIO, 1 Jul 83) .....	170
New Project for Planning National Economy Inaugurated (BARRICADA, 12 Jun 83) .....	173
Wheelock Announces Decision To Decrease Meat Exports (EL NUEVO DIARIO, 5 Jul 83) .....	175

## PARAGUAY

Trade Deficit Estimated at \$58 Million (ABC COLOR, 8 Jul 83) .....	178
Gradual Foreign Reserves Decline Noted (ABC COLOR, 28 Jun 83) .....	180
Central Bank Covers Finance Ministry Deficit (ABC COLOR, 5 Jul 83) .....	183
Inflation Rate Reportedly Higher Than Wage Increase (ABC COLOR, 30 Jun 83) .....	186
Increase in Unemployment Rate Reported (ABC COLOR, 10 Jul 83) .....	188
Fear of Expressing Opinion Openly Underscored (Editorial; ABC COLOR, 10 Jul 83) .....	192

## PERU

Daily Calls for Improved Anti-Terrorist Campaign (EL COMERCIO, 21 Jul 83) .....	194
Representative Believes Dialogue With Shining Path Possible (LA PRENSA, 22 Jul 83) .....	196

## VENEZUELA

New President of FEDECAMARAS Discusses Objectives (Adan Celis Interview; NUMERO, 31 Jul 83) .....	197
CTV President Warns About Possible Strikes (Ines Scudellari; EL UNIVERSAL, 29 Jul 83) .....	203
Inflation Rate Expected To Reach 50 Percent (MENSAJE ECONOMICO FINANCIERO, Jun-Jul 83) .....	205
Economic Measures Termed Too Restrictive for Private Sector (Jose Enrique Porras Omana; MENSAJE ECONOMICO FINANCIERO, Jun-Jul 83) .....	206

Petkoff Reaffirms Opposition to Caldera's Candidacy (Alirio Bolivar; EL UNIVERSAL, 29 Jul 83) .....	208
Need for Development Programs in Rural Sector Underlined (Mauro Carrero H.; MENSAJE ECONOMICO FINANCIERO, Jun-Jul 83) .....	210
Briefs	
Gallup Poll	215

## ENERGY SECRETARY GUADAGNI ON PLANS, POLICY

Buenos Aires ENERGEIA in Spanish Jun 83 No 36 pp 924-927

[Interview with Energy Secretary Dr Alieto Guadagni by Roque A. Garcia, in Buenos Aires; date not specified]

[Text] [Question] The steady rise in fuel and energy rates that has been occurring indicates the implementation of a policy aimed at preventing a lag in prices compared with inflation. Nevertheless, consumers claim that the fuel price hike in itself represents a factor to generate inflation. If you were to accept this relationship, is it possible to avoid the effects of a vicious circle that a rise in those prices would bring about?

[Answer] The policy for hikes in fuel and electric power rates is aimed essentially at recovering economic levels that have been greatly depressed by the use of political prices. Thus, it is intended to correct a distortion which not only works against the financial and economic situation of the public enterprises in the energy sector, but also causes overall negative effects on the entire economy. Therefore, this correction is indispensable to enable the enterprises to achieve minimal operating conditions and to finance part of their works programs. Otherwise, it would have been necessary to resort to the expedient of a subsidy or debt, with a marked influence as an inflationary factory. So, this correction will make it possible to have economically sound enterprises with expanding activity.

As for the fuel price hike per se being a factor generating inflation, we cannot fail to note the strong influence exerted in that direction by the marginal effects stemming from expectations that are aroused by the change in those prices.

[Question] Based on historical prices, what approximate percentage is accounted for by energy in the production costs of the national manufacturing industry?

[Answer] An approximate estimate indicates that the effect of energy input on the production costs of the manufacturing industry is about 10-15 percent, except for the few enterprises which make intensive use of this input.

[Question] At the present time, what is the status of our energy supply capacity in comparison with consumption; and, in this regard, what are the estimates of the Energy Secretariat in the event that a rapid reactivation of industrial production should be achieved?

[Answer] At present, the installed capacity has sufficient reserves to meet the current demand which, as everyone knows, is depressed; in other words, lower than anticipated.

It is estimated that the existing equipment plus the additions that will be occurring this year will make it possible to meet the demand resulting from a possible reactivation, without any trouble.

The aforementioned additions are the following: Guemes Powerplant, with 120 MW; Unit 7 of the Coastal plant, with 310 MW; Embalse Nuclear Powerplant, with 644 MW; Arroyito, with 120 MW; Los Reyunos, with 224 MW; Lujan de Cuyo, with 125 MW; and San Nicolas, with 350 MW. In all, these powerplants will increase the installed capacity by 1,937 MW.

[Question] What progress has been made recently in the area of replacing petroleum by-products with natural gas, and what results is the Energy Secretariat accruing from its energy savings plan started in 1980?

[Answer] The Program to replace liquid fuels with natural gas includes several courses of action, all of which are now under way. Included therein is the consumption of the large industrial users and the thermoelectric powerplants, as well as the substituted use of gas for automobiles. Promotional rates have also been put into effect to foster natural gas consumption in the localities where the resource is produced, and to encourage the local siting of industries, thereby helping to promote the development of the regional economies.

The Energy Secretariat also favors the establishment of a national fund for regional gas development, aimed at helping to finance the projects necessary for this product's access to the regions still cut off from supplies thereof. The matter is being studied by a committee that will be required to issue its findings before 15 June.

The Energy Secretariat has also proposed that the conversion to gas of the heating and hot water facilities operating with fuel oil on public administration buildings be made compulsory. The respective draft decree has already been submitted to the executive branch for approval.

As concrete results, we might mention that, in 1982 alone, the SEGBA [Greater Buenos Aires Electrical Services] Enterprise's adaptation of generating units made it possible to save over 600,000 tons of fuel oil, worth more than \$100 million, as a result of greater gas consumption. This enterprise reduced its fuel oil consumption from 1.252 million tons in 1981 to 622,883 tons.

The Water and Electric Power Enterprise, for its part, is carrying out a plan for conversion of nine thermal powerplants located in eight provinces, which will make it possible to replace 1.5 million tons of fuel oil with 1.75 million cubic meters of gas. The total value of the fuel oil saved, using the export price (\$158 per ton), will amount to about \$237 million.

As for the large industrial users, four enterprises joining the substitution system alone raised gas consumption by 1.1 million cubic meters per day, replacing 974 tons per day of fuel oil which, gaged at the aforementioned export price, will represent \$56 million during the course of 1 year.

These results will tend to increase substantially, because over 220 memorandums of intent have also been received from major industries for joining the system, representing a potential gas consumption of 8.14 million cubic meters per day; in other words, 2.971 billion cubic meters per year, equivalent to 2.631 million tons of fuel oil, at a price of \$416 million. This substitution volume means an increase of about 30 percent in the present natural gas consumption.

The supplies already specified, added to those which are being arranged, will allow for fuel oil exports amounting to \$472 million per year.

[Question] Has the delay in deciding on the construction of the Yacyreta Hydroelectric Powerplant interfered with the goals of the Energy Plan devised until the year 2000? In such a contingency:

- a. What effects will that delay have on the energy supply?
- b. What alternatives have been considered to reduce these effects while the aforementioned enterprise is being constructed?
- c. What effect will all this have in terms of unplanned investments?

[Answer] The delay has not interfered with the goals of the Electric Equipment Plan devised until the year 2000, because it has coincided with a change in the rate of increase in the demand. Therefore, it will not have any effect on the energy supply. This delay has not had any significant effect in terms of investments either.

[Question] What is your evaluation of the results achieved through the risk contracts and, in general, of the private contribution to date?

[Answer] The oil industry has shown an interesting degree of private participation, as proven by the number of risk and operation contracts concluded with various native and foreign firms.

In the area of oil production, that participation has brought positive results; because it contributed as much as 30 percent of the total extraction. The decline in the economic equation of those contracts subsequently caused a reduction in the activity of the contracting firms and a resultant drop in production.

This process may be summarized thusly: During the first half of 1978, YPF's [Government Oil Deposits] monthly average production was 1,462,763 cubic meters, a volume accounting for nearly 70 percent of the total extraction. The rest was contributed by the operation contracts and, as part of it, 206,922 cubic meters, equivalent to nearly 10 percent, are accounted for by the 21 contracts being renegotiated.

The production contributed by these latter contracts was increased with the passage of time, until, in the second half of 1980, it reached an average of 386,217 cubic

meters per month. Starting then, and as a result of the difficulties posed by the country's economic situation and the breakdown in the contracts, it began to decline to the point where, in the first 2 months of this year, that monthly average stood at 290,311 cubic meters, with a 25 percent drop.

It is in the context of this situation that the renegotiation of the contracts currently submitted for the executive branch's approval has been taking place.

[Question] On more than one occasion, you have remarked that the withholdings made on the products marketed by YPF are a serious obstacle to the enterprise's attainment of suitable profitability and, therefore, to the development that befits it. What is the real effect of these withholdings on the total status of YPF's business, and what has been done to resolve this situation since you have been head of the Energy Secretariat?

[Answer] The Energy Secretariat is of the opinion that this recovery substantially entails compliance with Law 17,319 on hydrocarbons, Article 6 of which stipulates that the market prices of crude oil on the domestic market may not be lower than those of the product's import. That article also notes that when, owing to unusual circumstances, those prices are increased excessively, the determination must be made on the basis of the real operating costs of the state enterprise. The non-compliance with those regulations, precisely, brought YPF into its current situation of serious debt, gravely hampering its normal development and future action.

With this conviction, the Energy Secretariat has submitted a proposal aimed at raising YPF's income through an increase, based on the Hydrocarbons Law, in the price of the oil that the enterprise sells to private refineries and a corresponding adjustment in the withholdings set for derivative by-products. In this way, and contrary to what is happening at present, the tax funds would become a residual component, represented by the difference between the sales price and the withholdings determined thusly.

Inasmuch as the proposed measure cannot fail to reduce the budget resources planned for 1983, the bill also calls for the enactment of a mechanism aimed at making a temporary compensation during the current fiscal year for that reduction. Hence, until 31 December of this year, YPF would earmark the larger income resulting from the aforementioned increments to consolidate its financial debt to the National Treasury. Through this temporary mechanism, there would be an attainment, this year, of the goal being sought to raise YPF's income, without triggering a price hike and without taking away the funds required by the treasury. Starting in 1984, YPF would begin receiving the total withholding, and the treasury would receive what strictly belongs to it by virtue of the implementation of the Hydrocarbons Law.

Meanwhile, under the present conditions, the Energy Secretariat has attempted a gradual approach to compliance with the aforementioned law, raising YPF's withholding prices by means of consecutive increments and making a corresponding reduction in the proportion reserved for the treasury. For example, between 31 July 1982 and 21 May of this year, the former increased from 31.2 to 41.8 percent, while the latter declined from 68.8 to 58.2 percent.

At the same time, that positive effect for YPF has been reinforced by the increase in the amount of crude oil that the enterprise is selling to the private refineries which, relatively speaking, rose by 665.7 percent between the two dates.

[Question] Is it true that the Energy Secretariat is forcing YPF to sell oil to the Shell and Esso companies at a price lower than that paid to the contractors? Why is this happening?

[Answer] The system used in setting the price of oils for a gradual approach to compliance with the Hydrocarbons Law to which I referred in the previous response is a partial answer to this question. It should be added that, insofar as the price per basic product to be paid to the firms whose contracts have been subjected to renegotiation is concerned, it is about 25 percent of the import price. It has also been arranged for the National Treasury to compensate for the difference between that price and the one received by YPF for sales of its crude to third parties, if the latter is lower.

Hence, it is clear that this situation has been caused by conditions which the Energy Secretariat has not only not caused, but also is tending to change insofar as it is able.

[Question] Consideration has finally been given to the use of gas as a fuel for automobiles. How will this plan be carried out, and what are its goals?

[Answer] As part of the action already cited which has been taken to promote the intensive use of the country's abundant gas resources, the Energy Secretariat has also started to execute a program for replacing liquid fuels with gas in cars.

This program will receive its complete impetus when the executive branch approves a draft decree authorizing it, as an organ for implementation, to stipulate which types of gas hydrocarbons will be used to drive various types of land transportation, as well as to determine the sections of the country and the occasions on which their use will be allowed.

So, within the context of this program, and when the aforementioned decree has been approved, it will be possible to begin using liquid butane-propane gas in small trucks and cars in Tierra del Fuego, where there are conditions for extending its use, in view of the promotional rate system in effect there, and the favorable circumstance whereby that territory has gas liquefaction plants. To appreciate even more the feasibility of this substitution, one must realize that the gasoline consumed in the area must be transported from Bahia Blanca, whereas the gas is produced locally. It should also be pointed out that in Tierra del Fuego there is automotive equipment comprised of 8,000 vehicles, which enhances the interest in this experiment.

Meanwhile, State Gas has put into operation, on an experimental basis, a vehicle driven by compressed natural gas, for purposes of undertaking, once the technical-economic evaluation of the experiment has been completed, the conversion of a large portion of its automotive fleet to that fuel.

YPF, for its part, has already begun the first phase of a pilot plan with similar features, which will culminate, at the end of the year, in Neuquen Province, with

the use of compressed gas, as well, for driving a fleet of the enterprise's small and regular-sized trucks.

In addition to these experiments, it has also been considered essential for a scale implementation of this program to make a comparative study of the use, for transportation, of liquid butane-propane gas (GLP), compressed natural gas (GNC) and liquid natural gas (GNL), for the utilization of which there are worldwide precedents. This study, which will be conducted in accordance with an agreement recently signed with this Energy Secretariat by the Argentine Gas Association (AGA), will include an analysis of the substitute raw material, the technologies for conversion and, finally, the technical-economic feasibility of the three systems. Based on its results, it will be possible to analyze the most feasible options for our country. According to estimates, the actual conversion could begin as early as the first 4 months of 1984.

[Question] What is your opinion of the future of gasohol in the country?

[Answer] The Energy Secretariat is of the opinion that the gasohol program represents a major contribution to the progress of the policy for replacing fuels that is under way, aimed at saving the country's non-renewable resources.

Its implementation in Tucuman after the detailed analysis of the conditions required for it has, in turn, paved the way for extending it to Salta and Jujuy next August.

Its future expansion to other sections of the country will depend on whether they have the necessary raw material and offer suitable conditions based on technical-economic viability.

[Question] What relationship would you ascribe to the very serious floods that the country is experiencing at present and the installation of Brazilian hydroelectric powerplants, and why has the Salto Grande powerplant failed to meet the expectations harbored of it for regulating the flooding of the Uruguay River?

[Answer] The Energy Secretariat does not think that the relationship which some have established between the floods being experienced by the country's coast and the construction of powerplants on the upper course of the tributary rivers is pertinent; and even less so in the case of Salto Grande, which is, incidentally, a typical powerplant, with slight power to regulate hydric volumes of flow. In that respect, this powerplant has not evoked any expectations that had grounds.

[Question] What news can the Energy Secretariat offer regarding the Middle Parana project?

[Answer] The Energy Secretariat considers the Middle Parana to be a development with multiple purposes, which from a hydroelectric standpoint is of great importance to the country's energy future. In this connection, a date has been set for the Water and Electric Power enterprise, which is in charge of preparing the plan, to complete the work before 31 October of this year; and a committee has been set up to monitor closely the progress of this assignment. This decision is aimed at facilitating for the next constitutional government the making of a decision regarding the occasion for carrying out the project.

[Question] Based on the opening of the Rio Tercero Nuclear Powerplant, what is your view of the current status of this branch of the country's energy production?

[Answer] The development of nuclear research and the inclusion of atomic powerplants in the country's electrical generation equipment comprise a major policy decision of the national government. With the excellent operation of Atucha, their inclusion in the Electrical Equipment Plan has been an encouraging precedent for the opening of the Embalse Powerplant; and it addresses the need for the country to develop the basic nuclear technology that will be required in the future, when the depletion of hydrocarbons occurs.

#### Rationing of Fuels and Soviet Oil

In recent interviews, the energy secretary admitted that the secretariat which he heads is conducting studies to ration the use of liquid fuels, including gasoline. Nevertheless, he made a distinction between that measure and any alleged rationing, because it is by no means that energy authority's intention to impose consumption quotas or any other similar arbitrary regulation. Guadagni went on to say that the aim is to direct the consumption of products such as gasoline, which originate in a meager resource, toward reproductive activities, such as petrochemistry, avoiding the burning thereof. He added that the program to replace liquid fuels with gas in its various forms in automobiles, promoted by the secretariat which he heads, is also aimed at serving that purpose.

On another topic, Dr Guadagni also admitted that a study was being made of a transaction to purchase a million cubic meters of Soviet oil, to be refined in the nation's refineries, and to sell the by-products accrued in neighboring countries. He concluded by saying that the evaluation of this prospect would indicate whether or not this transaction is a feasible one to carry out.

2909

CSO: 3348/592

## CRUDE PRODUCTION INCREASES BY 10 PERCENT

Quito EL COMERCIO in Spanish 21 Jul 83 p A-6

[Text] Petroleum output during the first half of this year increased 10 percent compared to the same period time in 1982, rising from 37,555,007 barrels to 41,375,011 barrels, up 3,820,004 barrels, it was announced officially.

The output increase is basically due to the contribution from the fields in the northeast which, discovered and developed by the Corporation, have been producing crude since October of last year.

The statistics given cover the output of the fields of the CEPE-Texaco [Ecuadorean State Petroleum Corporation] Consortium, the CEPE fields in the northeast, the fields of the CEPE-City Association, and the fields on the Peninsula of Santa Elena.

The contribution from the fields of the CEPE-Texaco Consortium--in which CEPE participates with 62.5 percent of the rights and assets--this year accounted for 89 percent of the country's total output.

The Aguarico, Atacapi, Auca, South Auca, Culebra, Lago Agrio, Parahuacu, Sacha, Shushufindi, Yuca, South Yuca, and Yulebra fields produced 37 million barrels; compared to the 1982 output, this is an increase of 380,000 barrels or 1 percent. The 1982 output came to 36.6 million barrels.

The Shuara, Secoya, and Shushuqui fields, included in the last quarter of 1982, during the 6 months of this year produced 3,496,834 barrels, thus becoming the country's second-ranking production area after the fields of the CEPE-Texaco Consortium. Their contribution this year accounts for 8.5 percent of the total output. The cumulative output of these fields since October 1982 and up to June of this year was 4,960,000 barrels.

The fields of the CEPE-City Association during the first half of this year produced 674,365 barrels, 53,960 barrels than this area's output during the first half of 1982, in other words, an increase of 8.7 percent. The contribution of these fields to the country's output came to 1.6 percent.

During this period of time, the fields on the Peninsula of Santa Elena produced 141,639 barrels of crude, a drop of 110,050 barrels compared to the first

half of 1982. This declining output from fields which have been worked for around 50 years persuaded the Corporation to plan an overall rehabilitation program for these fields on the basis of a feasibility study which will determine the need for new drillings in the area, improving the output of the current wells, and figuring out the best mechanism for achieving secondary recovery and, finally, the possibility of deep seismic exploration since there is well-founded hope that there may also be petroleum below the current structures.

5058

CSO: 3348/588

## BIDS FOR OIL EXPLORATION, PRODUCTION REQUESTED

Quito EL COMERCIO in Spanish 5 Jul 83 p A-1

[Text] A new petroleum phase will be opening up for Ecuador when the petroleum companies on 17 October submit their offers for the exploration and exploitation of hydrocarbon areas in the blocks made available to domestic and foreign companies by the State Petroleum Corporation.

According to officials at the Petroleum Contracting Unit, the registration of more than half a score of big enterprises for the bidding process guarantees considerable foreign capital and technology participation during the second phase.

It was noted that the country will receive a flow of foreign exchange that can revitalize the national economy which is currently rather depressed. Investments in the hydrocarbon industry are strong--according to the source--to the point where it has been calculated for the exploratory phase that each enterprise must invest between \$50 and \$100 million. But, on the other hand, Ecuador offers investors highly promising blocks, that is to say, blocks which potentially contain hydrocarbons. It is important for these companies to find petroleum. This benefits the companies that have put up risk capital as well as the country which will be able to increase its reserves considerably, it was said.

Regarding that possibility, former CEPE [Ecuadorean State Petroleum Corporation] Manager Jose Carvajal, in Guayaquil, emphasized that Ecuador is moving toward a "second oil boom."

Based on the interest displayed by international companies in the bidding phase, Carvajal assured his listeners that the exploratory phase can attract preliminary investments of \$300-500 million. If crude were to be found in those blocks--he stated--investments may rise to several billions of dollars.

In the meantime, Eduardo Polit, an official with the Petroleum Contracting Unit of CEPE, announced that international petroleum companies continue to be interested in bidding for the blocks.

He added that the Idemitsu Company of Japan requested information today; it expressed interest in the offshore blocks. In this connection--said Polit--we continue to broaden the geographic spectrum of the companies because Japan is now also coming in to register for the bidding process.

He also announced that Union Texas, of Houston, is also currently asking for information. Before that, Union of California registered for the bidding procedure.

On the other hand, he recalled that a large group of enterprises is in the country, analyzing the type of information sold by CEPE and collecting major elements of judgment in order to decide as to whether or not they should register. This is quite logical--Polit explained--if one keeps in mind that risk capital is currently in short supply and that all companies want to have a sure thing before going ahead to invest.

Among the companies which are in the country conducting investigations along these lines he mentioned Belco, Occidental, Philips, ENI [National Hydrocarbons Agency], Volvo of Sweden which expressed its desire to work in a consortium setup with Hamilton of the United States. Most of these companies came with technical teams consisting of geologists and geophysicists.

He noted that other enterprises, such as BRASPETRO [PETROBRAS International, Inc.] of Brazil and YPF [Government Oil Deposits] of Argentina, along with other Canadian enterprises, are also looking for partners with a view to participating in possible hydrocarbon exploration and exploitation processes in the country after they have registered for the bidding process called by CEPE.

5058

CSO: 3348/588

## CEPE MANAGER ANTICIPATES GASOLINE PRODUCTION SURPLUS

Quito EL COMERCIO in Spanish 18 Jul 83 p A-6

[Text] There will be a surplus gasoline and fuel output surplus during this decade as a result of the operation of the Atahualpa Refinery which CEPE [Ecuadorean State Petroleum Corporation] will build, according to Raul Jaramillo, the Corporation's manager.

At the same time he indicated that the above-mentioned plant will process 75,000 barrels of virgin petroleum per day and 19,000 barrels of reduced crude.

With this production setup--he said--we estimated that the refinery will turn out 2,531 barrels of polypropylene, 6,222 barrels of LPG, 37,000 barrels of gasoline, 11,869 barrels of jet fuel/kerosene, 18,810 barrels of diesel fuel, 27,941 barrels of No 6 fuel oil, and 3,000 barrels for the refinery itself.

At the same time work will be done on the infrastructure to improve its operation, such as the construction of the Monteverde terminal to receive crude, to export surplus products and fertilizer, and to import equipment which will make it possible to operate the plants; and the Atahualpa--Pascuales multipurpose pipeline is the artery that will make it possible to supply fuel to the country's southern region, according to the CEPE.

According to the projections--the Corporation adds--of the hydrocarbon demand during this decade, we will have a surplus gasoline and fuel output. The sale of this surplus will help to pay off the debt on the refinery and the related facilities.

RAAdm Raul Jaramillo, CEPE manager, said that the industrial development plan, whose results the country already knows, together with the program for a major increase in petroleum prospecting activities along 7,000 kilometers of seismic lines, enable us to say that the government enterprises can indeed be efficient when they have the capacity and the mystique, when everybody works hard to defend the interests of the state, with more dedication than his own interests.

There are those of us who believe that a country's strategic resources must remain in its own hands, in Ecuadorean hands, and that they can and must be managed by government enterprises, he added, since we Ecuadoreans are indeed capable of demonstrating integrity and efficiency, the official said.

## BRIEFS

CRUDE OIL SALE INCREASE--A sales increase of 10,051,102 barrels--of which 7,883,364 were supplied by CEPE--was recorded for petroleum exports during the first half of this year, compared to the same period of time in 1982. Natural Resources and Energy Minister Jorge Trujillo announced that, between 1 January and 30 June of the current year, the country exported 28,250,892 barrels of crude, thus earning revenues of \$774,845,905. Trujillo indicated that according to reports from the National Hydrocarbons Directorate, the total crude volume exported, that is, 20,153,635 barrels or 71.3 percent, was sold by CEPE [Ecuadorean State Petroleum Corporation]; 7,784,257 barrels or 27.6 percent consists of sales handled by Texaco and 315,000 barrels or 1.1 percent were handled by City. The report also revealed that the main sales were handled by CEPE through contracts signed with Yukon, Chinese, Belem, Kyung, and Coastal. In the meantime, the chief crude petroleum market of the Corporation was Korea, with the Gulf Coast, the Caribbean, and Singapore next in order. As for prices, it was indicated that there was a certain trend toward stabilization although it was pointed out that major drops were recorded. As for revenues, the Hydrocarbons Directorate emphasized that out of the \$774,845,905, \$553,941,265 consist of exports by CEPE, 212,899,240 by Texaco and 80,005,400 by City Investment Company. [Excerpts] [Quito EL COMERCIO in Spanish 20 Jul 83 p A-7] 5058

CSO: 3348/588

## PDVSA REPORTEDLY FACING DIFFICULT FINANCIAL SITUATION

Caracas NUMERO in Spanish 31 Jul 83 pp 12-13

[Text] Acting Energy and Mines Minister Jose Ignacio Moreno Leon last week made an announcement that should have provided substantial relief for the internal pressure on the petroleum sector, when he stated that a mechanism is being studied to negotiate the 7.5 billion bolivars that were converted into state bonds.

If Moreno Leon's announcement becomes reality—he frequently takes advantage of Minister Humberto Calderon Berti's absences to release major news items to the press—one of the problems of greatest concern to the nation's principal industry would be solved.

In fact, the transfer of the foreign exchange is, in the eyes of the state oil industry, one of the obstacles that have created a precarious financial situation that urgently requires a solution in the short term.

An internal study conducted by Venezuelan Petroleum, Inc. (PDVSA) identified four factors that have seriously jeopardized its finances. These factors are: 1) the difficult circumstances in the international oil market; 2) the exchange agreement signed on 27 September 1982 between the National Executive and the Central Bank (BCV) to centralize in the BCV the foreign reserves the PDVSA had deposited abroad; 3) the establishment by PDVSA of a trust in the BCV for 7.5 billion bolivars, pursuant to a decision by the Assembly of PDVSA Stockholders on 10 December 1982; and 4) the industry's adherence to the guidelines set forth by the Ministry of Energy and Mines.

The coincidence of the exchange agreement and the conversion of bolivars into state bonds deprived the industry of a substantial source of income; it reduced the presence of the petroleum sector in international financial markets, and hampered the availability of resources, financial self-sufficiency, administrative autonomy and management flexibility, according to the PDVSA analysis.

If this situation remains unchanged, the short-term consequence could be that the balance on hand as of 31 December 1983 will drop below the "critical level" of 3 billion bolivars, equivalent to 2 weeks of outlays by PDVSA.

## Fruits of Discord

If the centralization of foreign exchange in the BCV stupefied those in the petroleum sector (who never questioned the legal validity of the measure but criticized its foreseeable consequences), the forced acquisition of the bonds was the silent detonator that began to generate, for the first time since the nationalization, harsh criticism of the official political sector. In this outcry, unusual in a technocratic world that had opted to live in isolation from the rest of the nation, the minister of energy and mines himself was not overlooked. He was accused of having thought more about keeping his job than about defending the oil conglomerate of which he is the maximum authority.

Recently the president of the Central Bank took up the matter of the bonds once again, announcing in his peculiar manner that he was willing to turn them over immediately to PDVSA. The petroleum sector lost no time in responding, proving that it has begun to emerge from the world of silence. The usually elegant president of PDVSA, Gen Rafael Alfonso Ravard, even embarked on the dubious path of using colloquial expressions in referring to the bonds administered by the BCV: "I smell a rat."

But the president of Maraven, Alberto Quiros Corradi, who has never denied his desire to work his way up the national political ladder, took advantage of the forum offered by the Rotary Club of Maracaibo to question the overall impact of the measures affecting the oil sector. To back up his statements, he engaged in a comparative exercise, using the year 1960 as a point of departure. Between that year and 1982, the national income was multiplied by six, spending by seven, and the per capita debt by 28. He used this evidence to cast doubt on the ability of administrators to manage public monies, including the PDVSA foreign reserves that had been transferred to the Central Bank.

## Reasoning

Referring to this point, he noted that in theory there was no problem. "If the dollars that were in the Venezuelan Petroleum, Inc. fund are converted into dollars in the Central Bank, and those dollars are converted into bolivars, still property of Venezuelan Petroleum, Inc., and are still freely convertible to dollars, then there is no problem. Unfortunately, this theory applies only in countries with fiscal discipline, and I think the aforementioned figures of a debt multiplied 28 times, compared to revenues multiplied six times, give us a clear indication that we are not one of them." On that basis, he went from theory to practice, stating that when the bolivars that are no longer dollars "are converted into state bonds, at that time it is no longer just a problem of financing due to a loss of liquidity. At that moment there is a clear instance of administrative interference by restricting funds, because it is not the same to administer with free availability as to administer with restrictions; and if the restriction has been imposed by means of a loss of liquidity due to an action by the state, then the administrative capacity has very clearly been interfered with and diminished. There cannot be much doubt about that."

PDVSA has undertaken an overall analysis of the situation, commenting that in the period between 27 September and the present, the oil industry lost: a

source of income in the form of the interest accrued on its investments abroad (which from the date of the nationalization until the transfer to the BCV represented 22 percent of the oil industry's total revenues), its autonomy for financial action, and liquidity in the amount of 7.5 billion bolivars in the trust and projected income, as a result of OPEC agreements. It also predicts future increases in its outlays as a consequence of a collective bargaining agreement with its employees (which could cause internal conflicts because it has been proposed that the commissariats, where the workers buy necessities at 1948 prices, be closed down), and of inflation derived from the exchange measures.

All these elements have affected the petroleum industry's cash flow, and it has been forced to revise its plans and programs. As a consequence of this new development, several major exploration, production and refining projects have been delayed; in some cases no date has been set for future resumption. The revision of the 1983 budget has cut back on investments by 3.844 billion bolivars, affecting 34 development and exploration wells, and resulting in the postponement of several refinery projects, the cancellation of a tanker, the rescheduling of non-essential administrative projects (computing, telecommunications, offices, vehicles and other minor contingency projects).

This situation is revealing a dichotomy in terms of what is being asked of the oil industry. On the one hand, its financial means for efficient development have been restricted, while on the other hand it is expected to remain strong and healthy in the long term, since between now and the end of the century no activity is contemplated to replace the petroleum industry.

In addition, this industry, which provides more than 90 percent of the country's foreign reserves, is perceived as the axis of industrial development, with the creation of hundreds of private support industries around it. At the same time, however, a legal mechanism, the Law to Safeguard the Public Patrimony, has been erected as a barrier against that possibility.

Can a basic industry develop successfully and efficiently in any country of the world, if the means to do so are denied it? The answer, which raises doubts, may begin to emerge by itself within the next 2 years.

#### Large Financial Numbers of National Oil Industry (IPN) 1976-1982

##### Summary of Earnings and Losses (billions of bolivars)

A. Sales of hydrocarbons*	413,091
B. Operational costs and expenses**	80,371
C. Nation's operational earnings (A-B)	332,700
D. Resulting fiscal contribution	277,853
E. Operational earnings of IPN (C-D)	54,867
F. Interest on investments	15,344
G. Net income of IPN (E+F)	70,211
H. National share (C+F)	348,064

\* Excludes overseas operations

\*\* Excludes overseas operations, royalties and legal percentage to PDVSA

Large Numbers of National Oil Industry (IPN)  
1976-1982

Summary of Generation and Use of Funds  
(billions of bolivars)

Generation of Funds

I. Initial contribution by National Executive	2,500
E. Operational earnings of IPN	54,867
F. Interest on investments	15,344
J. Depreciation	10,964
K. Total funds generated	83,675

Use of Funds

L. Increase in working capital	(13,437)
M. Investments (1)	(50,927)
N. Contributions to Pequiven	( 2,137)
O. Total funds used	(66,501)
P. Cash balance at end of period	17,174
Less: public indebtedness bonds	( 7,500)
mortgage bonds	( 1,929)
Plus: bills payable	62
Q. Cash available at end of period	7,807

(1) Excludes 3.918 billion bolivars charged to exploration costs

IPN: Monetary Injection  
into Venezuelan Economy  
1976-1982 (billions of bolivars)

	Total
Investments	54,845
Operations*	72,746
Fiscal contributions	273,535
Sub-total	401,126

Less Imports:

Materials and equipment	(18,160)
Services contracted**	( 9,650)
Technological support	( 2,910)
Sub-total	(30,720)

Net monetary injection 370,406

\* Excludes depreciation

\*\* Estimated

8926

CSO: 3348/604

## VENEZUELA, COLOMBIA REACH AGREEMENT ON BORDER TRADE

## Measures Outlined

Bogota EL ESPECTADOR in Spanish 26 Jul 83 p 10-A

[Text] A new exchange agreement has been reached by Colombia and Venezuela in an attempt to normalize border trade between the two countries. At the same time, the neighboring country officially lifted restrictions it had imposed on products from the Andean area.

The bases of the exchange agreement, which was signed in Caracas by the managers of the Central Banks of the two nations, establishes a rate amounting to 9.9 bolivars to the dollar for transactions in foreign exchange in the border zone and sets a monthly quota of \$3 million for the purchase of Venezuelan currency.

Upon returning from Caracas yesterday, President Belisario Betancur said that the manager of the National Bank, Hugo Palacios Mejia, was making important progress with his colleague from the Central Bank of Venezuela in solving border problems having to do with the exchange aspect. The terms of the agreement will be revealed in the coming hours.

He said that such contacts constitute the first step toward the solution of the entire border problem stemming from Venezuela's exchange crisis and the devaluation of its money with respect to the dollar.

The president preferred for the manager of the National Bank himself to give detailed information about the terms of the bilateral agreement.

Sources close to the delegation accompanying the president which returned yesterday said that the basis of the exchange agreement is the establishment of a rate of exchange of 9.9 bolivars to the dollar. This rate of exchange will govern the free currency market between the two countries. There are also other rates of exchange which the Venezuelan Government applies in its commercial trade and financial relations, depending on what is advantageous to the country.

The exchange agreement makes official a devaluation of the bolivar compared with the Colombian peso amounting to over 50 percent. The 9.9 bolivars to the dollar mean that every bolivar will be worth 8.04 pesos. Up until the crisis in the Venezuelan economy, every bolivar was worth over 17 pesos.

In order to facilitate the purchase of bolivars entering Colombia, the Central Bank of Venezuela will create a special quota of \$3 million a month for the purchase of such bolivars in the city of Cucuta especially.

The agreements reached by the two countries are the result of contacts on the presidential level in Caracas recently, on the occasion of the summit conference of Andean chiefs of state and the Contadora Group. In addition to the multilateral action, presidents Belisario Betancur and Herrera Campins exchanged views on specific bilateral problems which the two countries have in the economic and commercial fields.

Colombia had suspended all exchange negotiations with the Venezuelan currency at the beginning of this year, following the Venezuelan crisis which led the government of that country to establish exchange controls, devalue the bolivar and set differential rates. Since that time, negotiations had been conducted through the Central Banks, but without any success.

With the normalization of the currency exchange rate, the situation in the border zone should clear up. Economic and commercial movement in the area has been almost paralyzed for months.

#### Restrictions Lifted

Regarding the restrictions that Venezuela had imposed on trade from other nations in the Andean Group, President Belisario Betancur said that they had just been lifted.

For his part, the director of INCOMEX [Mexican Foreign Trade Institute], Gustavo Tobon Londono, who was a member of the Colombian delegation in Venezuela, said that the products on which restrictions had been placed were transferred to a system similar to what in Colombia is a previous authorization.

The decision is considered to be an important first step toward the future restoration of trading facilities with the Venezuelan market. Tobon Londono said that it is hoped that this will occur as soon as possible and that in the meantime, foreign trade officials from both countries will continue to hold periodic meetings.

Venezuela's restrictive measures hurt the integrationist spirit of the Andean Group and gave rise to serious criticism in other countries in the subregion.

As part of the integrationist effort made by the five Andean presidents at their Caracas meeting, the unilateral measures violating the Cartagena Accord were done away with.

In addition to what was accomplished on the exchange and commercial fronts, President Betancur said that an agreement had been reached to strengthen the binational sugar complex Azurca, in which both countries are shareholders. The president added that the project will generate many jobs in the border zone and permit the production, marketing and exportation of large quantities of sugar.

## Agreement

The representatives of the Andean Pact countries also established an agreement to protect against any risk encountered by the food supply, seeking ways of increasing agricultural production and productivity, especially with respect to grain, oil-yielding products, meat and other basic items.

The project, named after Jose Celestino Mutis (director of the first botanical exposition), states that the food crisis in member countries has meant demand outstripping production, which forces nations to import ever larger quantities of products. It is therefore indispensable to outline preventive policies and policies of mutual support, stimulating the intraregional market for basic products.

At the same time, the agreement contemplates an environmental protection program.

## Businessmen, Exporters Praise Agreement

Bogota EL ESPECTADOR in Spanish 27 Jul 83 p 9-A

[Article by Juan Alvaro Castellanos]

[Text] Colombia could recover nearly \$60 million of its weakened trade balance if it partially restores negotiations with Venezuela.

Private enterprise and PROEXPO [Export Promotion Fund] are confident that the mechanisms of the preliminary license system will be immediately adapted because they are two markets that complement one another and are nerve centers of the Andean subregion.

Industrialists and exporters, along with national businessmen, celebrated the exchange agreement and the lifting of trade restrictions adopted by Venezuela and stated that the efforts of Colombian producers and exporters would have to be doubled in order to achieve the figure of \$100 million, which was the level registered last year in Colombia's sales to Venezuela.

## Exports

During the first four months of the year, trade between the two countries show experienced a sharp drop which, compared with figures for last year, amounted to 66 percent.

Colombian exports between January and April covered the basic markets of the neighboring nation, especially with respect to meat, men and women's clothing, industrial gloves, nylon, plastic packing, automobile batteries, electrical components and printing materials.

The volume exported by the country represented the sum of \$45 million, compared with a similar period in 1982, when sales amounted to \$136 million.

In 1983, 52,000 tons were shipped, a heavy blow to the truck and air transport system, according to exporters, a system that customarily covers special routes to Caracas, Maracaibo and San Cristobal. However, incentives for the second half of the year could push figures beyond estimates of normal marketing between the two countries as a result of sales of motors which SOFASA [expansion unknown] began at the close of the first half of the year. These results will not be reflected until the end of the year.

#### Negotiations

Manufactured goods and food products are the two most important areas of commercial trade between Colombia and Venezuela. Different agricultural products and raw materials will benefit from the system of previous licensing announced by Venezuelan foreign trade officials. It is estimated that over \$3 million worth of agricultural products have gone to Venezuela since last year to cover the needs of the first six months of 1983.

"That volume could be sold on the principal Venezuelan markets over the next three months, along with other industrial products," explained Alfonso Rojas Llorente, president of the Exporters Association.

Colombian purchases during the first part of the year basically involved oil, fuel and diesel fuel, worth \$153 million.

The director of PROEXPO, Jose Vicente Mogollon, noted that the government is drawing up a project for the establishment of a foreign trade bank, as it had announced at the beginning of this term, based on the Export Promotion Fund and requiring the country's presence on American and European markets. He was optimistic over the two agreements made with Venezuela because they will make it possible to recover income for the nation and establish acceptable levels for industrialists and merchants.

Based on export figures, the trade balance compared with other Andean countries involves figures which Rojas Llorente labeled as "tragic with respect to foreign trade."

The balance was negative for the first four months of the year, with a deficit of \$185 million. Analyzed in terms of the circumstances of each Andean country, Colombia was practically out of touch commercially speaking. The limited market included sales worth \$630,000 to Bolivia, \$16,000 to Ecuador, \$11,000 to Peru and \$45 million to Venezuela, based on contracts made before the crisis with the bolivar and payment on which became effective once the goods were shipped at the beginning of the year.

PROEXPO and the Exporters Association admitted that the country will have to promote its foreign trade to other sectors, even though figures for the Caribbean and Central America, while showing an increase, are not encouraging for the time being. Some \$350,000 worth of products were sold to Cuba; \$180,000 to Jamaica and Haiti; nearly \$2 million to Nicaragua, El Salvador and Costa Rica. These were isolated operations between private and official sectors, with payment in dollars scheduled for the coming months.

CHILEAN VIEW ON STATUS OF BEAGLE MEDIATION PRESENTED

Treaty Necessary

Santiago TERCERA DE LA HORA in Spanish 6 Jul 83 p 4

[Text] Col Ernesto Videla, chief of the Mediation Office, stressed last night the importance of signing a treaty with Argentina along the lines proposed by the pope because in this way conditions would be created for "permanent peace between the two nations."

In reply to those who do not clearly recognize the need for this document in view of the existence of Document No 2 of Montevideo Videla explained:

Document No 2 of Montevideo was negotiated to facilitate mediation, and will be in force for the duration of the process. It stipulates that both nations renounce the threat of the use of force.

"A peace treaty, on the other hand, would create conditions for permanent peace between the two nations and would stipulate that both parties renounce any kind of threat of use of force, direct or indirect.

"We might say that the peace treaty is the first step down the road toward a successful settlement of this disagreement with Argentina, which we are anxiously awaiting."

Videla issued these statements in reference to the criticism made lately, by certain sectors of the Chilean conduct of the border problems with Argentina. Some of the criticism was made by retired Rear Admiral Francisco Ghisolfo.

The latter said at a meeting that the pope's proposal, if it is the one published by the Argentine press, is detrimental to the interests of our nation.

Commenting on this idea, Videla said that this was a "personal" opinion and that the adjective "detrimental" cannot be applied to the pope's intervention in the disagreement on the South.

"These are entirely personal opinions. I do not believe that the mediation or intervention by the pope has been detrimental to Chile's interests in any way. First of all, because it prevented a confrontation, and up to now we remain at peace, thanks to the Holy Father. That cannot be detrimental to Chile's interests."

## Little Progress

In reply to another question, the chief of the Chilean delegation acknowledged that recently the mediation "has advanced very little"; that is, it has not produced material results.

He pointed out that although recently there have been meetings at the Vatican, there has been no progress. He mentioned, as a determining factor for a possible reactivation of the process, Argentina's acceptance of his holiness' proposal.

"I believe that above and beyond the mediation process, a peace treaty between the two nations is necessary and would of course produce more tranquillity on both sides."

## Argentina Ready To Negotiate

Santiago EL MERCURIO in Spanish 6 Jul 83 p A 3

[Text] During the inauguration of the Cardinal Antonio Samore Plaza in the La Reina commune of this city, Angelo Sodano, the papal nuncio who attended the ceremony said, "I do not believe that the mediation process is bogged down. This is a period of waiting. Of course, in the Holy Bible it says that in the eyes of God, 1,000 years are like a day, but I hope that this will not be so in our case."

The optimistic words of his holiness' representative should be shared by all those in Chile and Argentina who believe in the success of the mediation.

Recently, as the time approaches when the Argentine Armed Forces will turn over the rule of the nation to civilians, a public opinion movement has started up in Argentina which aims at settling the Southern disagreement within the framework of the recommendations of His Holiness John Paul II. This means that finally the Argentine Government would accept the papal proposal after 2 and a half years of vacillation.

Fortunately, Argentine public opinion has evolved toward the necessity and advantage of reaching a settlement. The leaders of the principal political parties and numerous personalities in Argentine public life, both civilians and the clergy, have expressed themselves to this effect.

On 22 June 1983, Juan Carlos Aramburu, cardinal primate of Argentina and archbishop of Buenos Aires, on his return from Rome where he interviewed the pope, said that there will be "a favorable settlement within the framework of the mediation."

Almost all former Argentine foreign ministers have explicitly stated their acceptance of the pope's proposal.

Ambassador Arnaldo Listre, the policy director of the Argentinian Ministry of Foreign Relations, said on 27 June when he left for Rome to join the mediation

negotiations, that the problem of the dispute over the South would not be shunted off to the next constitutional government but added that any agreement with Chile would be considered by the future parliament.

During a stopover in Santiago, the president of the General Confederation of Professional Colleges of Argentina said, "We should submit to the papal mediation on the Beagle border dispute and we should not deviate from it since that is the only way we can solve our common problems."

On 13 May, Argentine youths, in a demonstration at San Martin Plaza in front of the Argentine Foreign Ministry building, called for a peace treaty with Chile, and on 1 July, groups of youths belonging to 11 political parties marched in a demonstration of 50,000 persons in support of an urgent peaceful settlement.

All these demonstrations of Argentine public opinion are cause for hope that in the near future the Government of Argentina will decide to accept the pope's proposal.

9204

CSO: 3348/560

## ATTEMPTS TO REACTIVATE BEAGLE NEGOTIATIONS NOTED

Santiago TERCERA DE LA HORA in Spanish 19 Jul 83 p 5

[Text] In an attempt to reactivate the flagging process of papal mediation, Col Ernesto Videla, head of the Chilean delegation, has gone to Rome, via Buenos Aires, to hold conversations with Msgrs Gabriel Montalvo and Faustino Sainz Munoz.

A Foreign Ministry source announced yesterday that Videla traveled to the Vatican at the end of the week to meet, first of all, with Santiago Benedava, special ambassador to the Holy See for the mediation process.

In the last public statements that he made in Santiago, the week before last, the head of the Chilean delegation himself acknowledged that "no progress has been registered" in the process being carried on in Rome. And this despite the fact that Chile had accepted Pope John Paul II's proposal and the idea of an agreement for permanent peace and friendship between our country and Argentina was under study. The Pope himself, in his role as mediator, had requested such a study.

In this regard, it should be noted that the Argentine representative in Rome, Ricardo Etcheverry, said last Wednesday on arriving in Buenos Aires that the present conversations are part of a mediation process, which means that there is no "obligation" to accept the result and, moreover, it can be modified.

Nevertheless, the Chilean Government has always maintained that the proposal is indivisible and unalterable.

## Concern

According to the Santiago spokesman, in going to Rome, Colonel Videla is concerned with evaluating the process before the summer vacation that is beginning at the Holy See in order to determine "what steps could be taken in the future."

At the same time, it is not out of the question that Videla intends to meet with Msgr Agostino Casaroli, the Vatican secretary of state, to tell him of the Chilean Government's concern over the lack of progress toward a solution of the conflict in the south.

According to the colonel's most recent statements to the press, the only possibility for achieving progress is that "Argentina accepts the proposal and with this we would come into the final stretch."

#### Ambassador

Chile's ambassador to the Holy See, Hector Riesle, has noted that the Pope's call for nonviolence and a dialogue with Chile reflects the great affection that the Pontiff feels for our country.

The diplomat, who is in Santiago for a few days, has met with President Pinochet and given him an account of his mission.

Asked about the Pope's words, he said: "They are directed toward the achievement of peace and reconciliation. That is what he wants. He wants Chile to have peace, tranquillity and progress. And it was in this spirit that he made his appeal."

12336

CSO: 3348/580

## BRIEFS

CHILEAN, ARGENTINE HYDROELECTRIC PROJECTS--Luis Jaregui, Argentina's under-secretary for water resources, spoke yesterday of the need to establish hydroelectric projects for the use of both countries on a series of rivers in the southern region of Argentina and Chile. The official was visiting this capital for 2 days in his capacity of president-elect of the Inter-American Association of Sanitary Engineers in order to make preparations for the organization's 19th congress, which will take place in Santiago next year during the first 2 weeks of November. He said that, during that meeting, an intensified effort would be made to develop technological cooperation and transfers among the member states, with regard both to sanitary engineering and other environmental sciences. Jaregui noted that specific projects existed for the joint use of hydroelectric resources by Chile and Argentina, given the fact that, in the southern region, there is a series of rivers that are born in and cross the territory of one country or the other. [Excerpt] [Santiago EL MERCURIO in Spanish 4 Jul 83 p C 7] 12336

CSO: 3348/580

## GUADAGNI REPORTS ON TRADE NEGOTIATIONS WITH USSR

Buenos Aires LA PRENSA in Spanish 1 Aug 83 pp 1, 4

[Excerpts] The energy secretary, Alieto Guadagni, has given assurance that the Soviet Union will give Argentina "favorable treatment" with regard to grain exports, because it considers the country to be a "reliable supplier."

This statement was made at the Ezeiza airport upon his return from the Soviet Union, and he stressed that the latter country's declaration "firmly consolidates the Argentine position in its grain trade."

As for the lack of equilibrium in the Soviet trade balance vis-a-vis Argentina, he admitted that "it is very large, and hence it cannot be corrected in a very short period of time."

He said that there was understanding in the negotiations held with the Soviets, because "this trade does not allow for an immediate equilibrium, owing to the products involved and the different nature of the goods. We are exporting raw materials and they are offering industrial equipment."

He added: "For this reason, methods of cooperation in the two markets are being sought and, in this connection, the future importing of Soviet industrial equipment will be associated with the development of construction in Argentina."

In the dialog with reporters, Guadagni explained that he was "accidentally" assigned to head the Argentine trade mission to the USSR after the head of it had to return to the country because of a family problem.

#### The Grain

When asked about the reports coming from abroad to the effect that the Soviet Union would not increase grain imports because it is discussing the matter with the United States, he replied that, in the memorandum that was drawn up, "there was a statement of the Soviet decision considering Argentina a reliable supplier."

He remarked: "This is a very serious, highly important statement, because it consolidates the Argentine position as a supplier of grain; and, at the same time, the Soviet Union voiced its intention of granting favorable treatment for grain exports from this country."

### Negotiating Fronts

He said that, during the talks (on the Argentine side), different negotiating fronts were concentrated upon, and that among them there was a completion of the details on "equipment for the Piedra de Aguila hydroelectric complex."

He emphasized: "I understand that the joint Argentine-Soviet consortium has reached a successful agreement in the negotiations."

He also noted that the topics analyzed included the electrification of the General Roca national railway, the construction of a liquid gas plant in the federal capital and technical assistance for State Gas projects, as well as cooperation in the petrochemical industry.

### Wine in Exchange for Trolley Buses

He described the progress in the negotiations with Mendoza officials as "a very good thing for mutual interests"; because wine will be sold in exchange for trolley bus equipment to improve the province's transportation infrastructure.

He stressed: "This is a highly significant matter, because it will afford an opportunity for production that has had certain problems in marketing surpluses."

2909

CSO: 3348/592

## PERONIST ECONOMIST SETTI OUTLINES ECONOMIC POLICY REFORMS

Buenos Aires MERCADO in Spanish 16 Jun 83 pp II-V, VIII-IX, XI

[Interview with Eduardo Setti by Edgardo Silveti and Ramon Perticarari; date and place not specified]

[Text] Eduardo Setti (48 years old, married, with three children) is a doctor of economic sciences who graduated from the University of Buenos Aires and pursued post-graduates studies at New York University. He practices his profession as a consultant to business firms only when political activity allows him time for it. He says: "In 1955, when I was 20 years old and a university student, I agreed with the Justicialist economic and social policy, but not with what I termed violations of personal freedom. But when the coup d'etat of November 1955 took place, I began to discern that what I had been criticizing about the previous government was a pale reflection of what was happening in the country then, and that the socio-economic policy was assuming retrogressive and disastrous paths. When the revolution of 9 June 1956 took place, I began to be active in the Justicialist movement." On 26 May 1973, he became secretary of economy for the municipality of Buenos Aires. He served subsequently as director of the Central Bank, president of Giol Shops and state secretary of energy. He is currently head of the Justicialist Party's Economic Commission to which Drs Alfredo Gomez Morales, Antonio Cafiero and Julio Palarea belong. This is the dialog which he held with Edgardo Silveti and Ramon Perticarari, chief and acting secretary of MERCADO's editorial staff.

MERCADO: If we accept the supposition that reasonable economic growth is desired, to which of the variables in overall demand would you give priority?

Setti: We have made a theoretical model based on the hypothesis that we want to recover the levels at which the economy stood in 1974, over a 5-year period. That is a working hypothesis, a completely theoretical economic model. In order for this to happen, and for the average wage in the economy to increase 10 percent per year and reach what it was at the end of 1974, there must be an annual cumulative growth of 8 percent in the gross domestic product. If that growth does not occur, for whatever reason, then many more years will be required to attain that goal. In any event, if we succeed in doing so and if the 1974 levels are recovered with a 5-year plan, it would mean that Argentina has wasted 15 years. As you can see, the 8 percent goal is easy to attain in the first year, and perhaps in the second; because it is based on the very depressed current levels; but it will not be so easy to maintain that growth during the third, fourth and fifth years of the plan, because the country's historical growth rate has never reached that percentage.

MERCADO: To give it some description, that 8 percent rate is very daring; with an annual cumulative rate of 7 percent, the GDP would be doubled in 10 years.

Setti: What we mean is that this is the growth figure required to recover the 1974 levels in 5 years, with an average wage increase of 10 percent per year. If this did not occur, it would be necessary to extend the plan for additional years. This is meant to give an idea of the diagnosis that we are making of the economy, of the obvious difficulties that we shall encounter along the way and of the effort that will have to be expended. But, in answer to your question, we visualize the start of this program with an average wage increment while we simultaneously begin enacting measures that will contribute to the reactivation and wage increase. This will be difficult to achieve at the outset, but it is reasonable to expect that it will happen starting in the first months.

MERCADO: Does this mean that the variable selected for emphasis would be consumption?

Setti: Not exactly; I would define it more clearly: popular consumption. In recent years, Argentina has assumed features marked by luxury consumption, which cannot be maintained if we want to recover previous levels such as those we mentioned. That entire level of consumption to which certain sectors of the population have become accustomed during recent years must be discouraged, to allow for consumption by the sectors with lower income among whom there are different situations. For example, now, as never before, one observes cases of extreme poverty in Argentina, and that must be attacked with the entire force of the economy and the state. There is a second phase of problems in this area, namely, the drop in consumption among the wage-earners and lower middle class. This will obviously have to be confronted with a policy that gives priority to the production in the categories that are required to deal with such problems, something that will require an effort from the rest of the community. The rest of the community will contribute to that effort by not resorting to that type of luxury consumption until the economy can meet the demand for employment.

MERCADO: Token monetary increments may be made to raise the average wage in the economy in that way, but later prices would bring about a decline in that wage. What can be done so that this token wage hike will become an increment in real wages?

Setti: During this period, just as in 1973, we have been announcing that we intend to resort to coordinated agreement, which will be different from that of the former period in this respect: It must be flexible, and not so unbending as that of 1973; because the fluidity of the economic process at present is very great and, consequently, it is extremely difficult to establish very stringent patterns. When we talk about its being flexible, we mean that it must be reviewed with a certain amount of regularity. But that coordinated agreement, besides involving prices and wages, must be combined with another one on investment policy with business firms. The business firms will have to devise an investment program, and the state will have to see to it, with all the means at its command, that the investments are directed toward the most dynamic sectors of the economy. We think that, when this program starts, based on the need to begin the economic process and on the needs of the population, it must begin with an ambitious housing plan. But, as everyone

knows, housing construction is dynamizing over a short period of time, and is not refueled. So, at the same time, there will have to be encouragement for investment plans going to the most dynamic sectors of the economy; so that they will refuel a genuine process of reactivation. As the implementation of these plans takes a long time, it will obviously be necessary to provide for a first phase with the traditional mechanisms. If all this is achieved, we shall have managed to reduce the population's expectations of inflation and, on the other hand, we shall have really generated a process for reconversion of Argentine production. It should also be pointed out that in this entire process there will be an increase in the productivity of capital, because the measures adopted initially will necessarily increase demand. In order to meet it, the business firms will not take on more personnel at first, but rather will adopt the traditional prescription in Argentina, namely, to grant over-time. In a second phase, they will incorporate personnel, but in any event the over-supply of personnel that might occur in some sectors will exert pressure on the job market. This, of course, will generate increased productivity for capital, which is what the state will attempt to arrange with the business firms so that they will aim at the dynamic sectors of the economy instead of at non-reproductive investments.

MERCADO: When mention is made of coordinated agreement, one always thinks of a price freeze; but there are always lagging prices and advanced prices, and also, there will always be the struggle involving relative prices. How could arbitration be arranged so that no expectations will be generated regarding what will happen when the period of coordinated agreement ends?

Setti: I have not mentioned a price freeze. In that flexibility that I have cited, which is the basis for this new idea of coordinated agreement which, rather than that, will be a harmonizing of conflicting interests, we shall have to consider what may happen. But, at the outset, we are not thinking of a price freeze; we are thinking of coordinated agreement to harmonize conflicting interests and, the greater the success in this coordinated agreement, the less interference the state will have in this problem, and vice versa. In other words, the proposal will be broad and flexible; we want it to be enduring and credible. But if it does not succeed, we would have to resort to the traditional mechanisms; and then, indeed, the less success there is in the coordinated agreement, the greater the state's interference, with all the elements and tools of economic policy at its command.

MERCADO: How can this program for higher wages and greater consumption be made compatible with a de facto restriction, such as the status of the Argentine external sector?

Setti: There are basically two restrictions in the present economy: the external sector and the decline in the average wage in the economy. Neither of the two can be continued as they exist now. In order to have greater consumption, as I said in a previous reply when I noted that there would have to be priority given to popular consumption, involving what is produced in the country and not what is imported, we must discourage luxury consumption, which is exactly the opposite, for which a course of action has already been indicated. In addition to that, the mechanism to be applied is that of control of exchange and control of imports. In that theoretical model that we have formulated, the gross product/imports elasticity that we use is one, which was the historical one until Martinez de Hoz' reform. In this

system, if there were that elasticity of one, the model would work; but it obviously has its problems. Moreover, I think that the state of the foreign debt is about to cause a crisis in Brazil and Mexico, after which the international banks would be forced to seek more flexible solutions than the ones currently proposed. In fact, the Williamsburg meeting seems to have been the first act in this drama. We shall see what happens in the future, but I have the impression that, before the year's end, this situation will take a different turn.

MERCADO: Does that mean that this restriction would be made flexible?

Setti: Yes, but, furthermore, if that does not happen, when the renegotiation has to take place with the International Monetary Fund in March 1984, the renegotiation will necessarily occur on a basis different from the previous one. The Justicialist Party already determined this matter some time ago, when it pointed out that the mechanism for renegotiating the debt entailed first devising an economic development program and using as a variable for adjustment the balance of payments. We shall proceed to negotiate on that basis, but we shall not stifle growth as a result of guidelines dictated to us by the foreign banks. This is not a capricious position, because the traditional mechanism is actually based on there being curtailment of domestic consumption to produce greater exportable balances. The domestic consumption in Argentina has been curtailed to subhuman levels, and through that course of action we have reached the debt that we have; hence, this type of solution does not appear to be the line suited to the Argentine model.

MERCADO: This system can also operate from the tax standpoint. To which would you attach greater importance, direct or indirect taxes? For example, how would you handle the VAT?

Setti: We have already announced that we intend to implement a tax reform whereby there would be gradual reduction in indirect taxes and an increase in direct taxes, returning somewhat to the old spirit of the law for taxing profits.

MERCADO: What is your definition of a direct tax and an indirect tax? Give a classic example of each.

Setti: The VAT is a classic example of an indirect tax, and the tax on gains is a direct one.

MERCADO: How would you handle the major prices in the economy, such as the exchange rate, the cost of money, wages and public service rates?

Setti: I would reverse the order of the major prices, because we have already said that we would attach priority to wages, which are fundamental. As for the exchange rate, we think that it should be high; I call an exchange rate like the current one high.

MERCADO: In other words, unlike what the Development movement within the Multiparty Group proposed for its part, there will not be a large devaluation.

Setti: No, their intention with that was to make a sharp change in relative prices. We shall have to achieve a change in the economy's relative prices through other mechanisms.

MERCADO: Without causing a devaluation shock?

Setti: Without a devaluation shock or any kind of shock. In this respect, in this very particular respect, the current economic policy is being handled well; I am referring to maintaining the exchange rate. This does not apply to the rest of it. I think that, if it is continued, by February of next year we shall be in a position wherein no great shocks will occur in the economy.

MERCADO: With regard to the rates in the public sector, at present there is a program for increasing them two points above the inflation rate. Does this seem to you to be a suitable course of action? The fact is that energy prices in Argentina are lagging greatly behind the international prices.

Setti: There are two sides to this question. One is that the economy cannot really be managed with that type of price. The price of gasoline in 1974 or 1975 was twice what it was a few months ago; but the context of income then was quite different too. The level of rates is being reestablished, but in the context of totally retrogressive income, whereby it is very difficult to implement; because the truth is that the rates are raised nominally, but, concurrently, people stop paying or consuming. Actually, I don't know how this mechanism is really working, but if it continues, by February the rates will be at updated prices.

MERCADO: The other major price in the economy is the cost of money, which has caused a genuine debate in Argentina: What to do with the interest rate and, finally, what to do with the financial system?

Setti: We have come out in favor of nationalization of deposits and, underlying it, credit directed by the state on the basis of programs related to overall economic policy; which would lead us to differentiated interest rates depending on the purpose of the loan. We think that the financial system will again play the public service role that it never should have given up, and it will lose relative importance in the context of the gross product.

MERCADO: In connection with that desire to increase the country's productive capacity, what is the position regarding complementation between native capital and foreign capital? At the present time, there are two important laws: the one on foreign investments and the one on transfer of technology. Is it necessary to attract foreign investment? Under what conditions would it have to be attracted?

Setti: In my opinion, we must first of all keep the commitments made previous to the new government's taking of office, provided they are not related to revision, as in the case of the oil contracts. Thereafter, Congress will have to devise a new law and establish a precise, durable and credible framework; and then the authorities will see that the legislation is enforced.

MERCADO: In that context, what would happen to the foreign banks?

Setti: The criterion that should prevail with regard to the foreign banks is that of reciprocity; in other words, in order to allow any country to engage in banking activity here, that country must grant reciprocity to Argentina. As for the banks which are already established, we must reorganize the system; which will not cost

effort, because the foreign banks are virtually operating without attracting deposits. That must be the aim: that they operate only in foreign trade, as intermediaries for the loans that they are handling, and with their own net worth. This is actually happening already, except for the banks that have had long-standing operation in the country.

MERCADO: At the present time, they are operating essentially as wholesale banks for state enterprises. Would they retain that role?

Setti: Insofar as they can deal with it using their own funds, yes; there would be no problem. They will be able to lend to those who are allowed it by the Central Bank's regulations, but if the nationalization mechanism works as it did in 1973, when there was a limit on the allocation of rediscounts, which was the amount of deposits, that limit would not work now. The lending capacity will have to be determined by a different mechanism.

MERCADO: The external sector will require constant attention. On the other hand, there has now been triggered a war between the United States' agricultural products and those of the European Economic Community; which could mean another cut in prices. In this context, how would our foreign trade be handled?

Setti: I don't believe in the cut in agricultural-livestock prices. What is actually occurring is that, in the United States, the program that they call PIK (pay-in-kind) has gone into operation, which will enable the country to get rid of its grain stocks; and this will have an effect on prices. In fact, it is already having that effect. I have just come from there, and from what I could observe, they will solve the stock problem in a single harvest, which would be the present one. Hence, the prices for those products would tend to rise.

MERCADO: In the recent bidding, besides reducing the price, the United States has offered works projects. For example, in Morocco and Egypt it cut the price of wheat flour and built siloes and roads.

Setti: All right, but with that mechanism which I explained to you, the surplus, which is what is pressuring prices, will disappear. In fact, the United States has hurt us seriously with Brazil, where it did not offer works projects, but did offer financing.

MERCADO: What is your idea of the handling of the withholdings from the agricultural-livestock sector?

Setti: If we are talking about a high exchange rate, it will be necessary to continue the withholdings. But, in my opinion, since the agricultural-livestock frontier must be expanded, we shall have to attempt differentiated withholdings, depending on the production zones. In any event, if that does not suffice to ease the impact of the exchange rate on the cost of living, the consumption will have to be subsidized.

MERCADO: But the problem with the subsidy is the very high costs that it entails.

Setti: We Argentines have subsidized investments in apartments abroad, trips abroad and the financial mechanisms that have hurt the activity of business firms; all of

which has cost us at least \$30 billion. And with what benefits? Without any benefit whatever. Brazil, Mexico, Venezuela and others have become indebted, but they made their economies grow and changed their production structure. We have thrown it into the air, subsidizing insane things. That is why I think it is reasonable to head in a different direction. We really need to increase agricultural-livestock production greatly and, to achieve this, we must give the farmer a price, terms and a framework, so that he will be satisfied, etc. All this conspires against domestic consumption; so it will have to be subsidized.

MERCADO: In connection with the work of agencies already in existence, such as the grain and meat boards, what is it intended to do? Will those agencies have to be reinforced?

Setti: The party's subcommittee which worked on this matter, as well as the Congress of Professionals and Technicians, has proposed the creation of a foreign commerce bank the scope of which is yet to be determined. But, on the other hand, I would say that the boards need to recover their previous functions; and they will definitely have to ensure a suitable price for the producer and make certain that there are no mechanisms for evasion through this means. If we succeed, with that harmonization of interests in this sector, in making the mechanism definitely work, without underbidding or problems of that kind, I think that the work of the boards will be far easier. If we return to problems that we have now, or had under our previous government, obviously the state's mission will have to be symmetrically more intensive.

MERCADO: Argentine is now exporting about 25 million tons of grain; that volume is not easy to handle through the board. It is 25 million tons that must be marketed in the world.

Setti: I am not saying that the boards should go out and sell abroad; I am not thinking of that. The board's mission is to set the support price and to operate on the market insofar as it is necessary. If, through this mechanism, we return to the underbidding problem, then the board will have to provide for another phase. Nor does this imply that they will go out and sell abroad, because they can sell FOB. But the more successful the system that we propose is, the less the state will have to act; and vice versa. We must realize that the country's situation is very serious, and we cannot become bogged down in methodological considerations.

MERCADO: In other words, if, given the ground rules, there is transparency on the market, the state's intervention will be only indicative; but insofar as there are "under the table" negotiations, the state will have greater interference.

Setti: But the state will go as far as necessary. I would like to make that quite clear.

MERCADO: In a recent interview held with you by the newspaper LA NACION, you mentioned a hard currency budget and restrictions on other imports. Since everything associated with the exchange rate is very critical, could something more be done to restrict imports? We must realize that we now have a rather low import level and, furthermore, we want to have a growth of 7 or 8 percent annually in the GDP.

Setti: I have the impression that the restrictions currently existing on imports are of the quantitative, and not qualitative type. We are considering a qualitative control of imports; in other words, that the input that is essential for the operation of the economy will be imported: no more and no less. As for the hard currency budget, I think that we must ask the state and private companies, which are the leading demanders of hard currency, to devise a budget of the hard currency that they will need, and to adhere to it. The basic idea is as follows: Argentina can by no means pay the \$5 or \$6 billion in annual interest on its foreign debt; not to mention the amortization of that debt. So, the product in the shortest supply here is hard currency. That is why talking about a free or partially free market in this connection is something ridiculous; when there is no supply, one cannot talk about that. Hence, the state's action here must be very thorough and very severe in this respect. We are considering changing the law on exchange control, so that the crime will have the seriousness and features that it has in all countries of the world except Argentina; so that whoever violates those regulations will suffer the consequences. I am considering putting the crime in a judicial context so that it will be serious enough, with a penalty that is also sufficiently heavy; so that people will be deterred from committing this kind of speculation.

MERCADO: Speculation was another topic on which you expressed an opinion in that interview.

Setti: On that occasion I also said that the only sector that we discern as speculative in Argentina is the stock market. There is obviously capital speculating there, and speculation is not bad in itself. It is bad when all of us become speculators, and also when we speculate against the national currency. The one who has been termed here "the sophisticated investor," is engaged in a game at the end of which we have all lost. That game must end, and the speculation will have to be directed toward the area in which it is typified, namely, the stock market. Moreover, in this way it will bring profits for the business firms, which can capitalize on that mechanism.

MERCADO: Speculation is part of the capitalist system; what is not part of the capitalist system is the exaggeration of that speculation.

Setti: What is not part of the capitalist system is speculation against the currency; what happened here has not occurred in any country of the world. When one arrives in the United States, which is the financial center par excellence of the world, they ask him the amount of dollars he is carrying; one can enter and leave Argentina and they never ask anything. Furthermore, like everything that happens in the United States, if one declares something and that declaration is not fulfilled later, they impose a dreadful penalty on him.

MERCADO: Guido De Tella, in his book "Peron-Peron," says that one mistake of the Peronists was to attempt to ignore the importance of prices in the economy. What is your opinion?

Setti: The market should not be the dictator of the economy. Besides, for the market to assume those functions, it would have to be perfect, which it is not.

MERCADO: He talks a great deal about the oligopoly in Argentina, and how prices are distorted. Wouldn't the best way of destroying an oligopoly be by opening the economy and reducing tariffs? In answering me, forget Martinez de Hoz.

Setti: How can I forget when that was the great experiment?

MERCADO: It was an exaggerated experiment. He set back the exchange rate and at the same time reduced tariffs. But you are starting on the basis of a high exchange rate, which is already ensuring protection for the Argentine industrialist.

Setti: So we would have to discuss what real protection of industry is; whether we provide it through the exchange rate or through tariffs, there must be some kind of protection. And if a suitable type of protection is determined, any mechanism is good. In any event, worldwide experience does not suggest an opening of the economy.

MERCADO: In a recent report from the World Bank, it is claimed that there will not be an opening of the economies for many years, because there is unemployment and internal pressure in all countries, and the economies are closed.

Setti: Exactly, and Argentina will propose that alternative. I am not opposed to anything in the economy on principle, but today, in the present context, opening is not viable.

MERCADO: In your previous administration as a public official, what mistakes did you make and would not repeat now? We are starting on the assumption that we are all human and we are often mistaken.

Setti: The basic error that I would not make again, one which I always tell to the people working in this area, is that in the consecutive positions that I held, I expressed too much concern over the area in which I was responsible for acting, and I was very unconcerned about the political realm, or what we more clearly define as the militant one. Through that course of action, in my case, I think that I was to blame for the overthrow of the government in 1976.

MERCADO: Does that mean that you were overly devoted to your own area, to the technical sector?

Setti: All the positions that I held had a certain degree of commitment. They appointed me secretary of economy of the Municipality of Buenos Aires on 26 May 1973, and on 31 May I had to pay the salaries, but there was not a single peso. Shortly thereafter, in the Central Bank, I was assigned to work on financial reform. When I went to Giol Shops in Mendoza, that was the year of the great crisis, because the overproduction totally exceeded the container capacity of the provinces involved. So, it was necessary to start constructing containers and reconvertng the grape-growing and wine-making industry. When I was secretary of energy, since the Justicialist policy has always been very consistent, there were no major problems, and it was just a matter of taking the post and continuing. So, what I would not do again is lose sight of the political picture, because I have been a militant all my life. The loss of that feature is what sometimes leads us into problems.

We allowed ourselves to be defeated in 1976; to defeat Isabel Peron, it was claimed that there was a power vacuum, but the power vacuum that exists today is awful. The inflation rate was another argument, but the one now is very high, and it has remained so for the past 7 years. It was said that we were in a state of suspension of payments, and today we are in worse condition.

MERCADO: You say that one of the arguments used to defeat the government of former President Peron was inflation, but at present we have the highest inflation in the world, and that has greatly deteriorated the income of wage-earners. What can be done to combat the inflation?

Setti: We mentioned something at the beginning. There are two points at which to attack it: through the expectations, which we have already mentioned, and by dismantling the mechanisms that automatically refuel inflation, such as interest rates and other rates. But I am not saying that we must hold back rates.

2909

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## ECONOMISTS DIFFER ON MONETARY POLICY UNDER NEXT GOVERNMENT

Buenos Aires CLARIN in Spanish 28 Jul 83 p 18

[Text] A widespread opposition to Julio Gonzalez del Solar's changing the Organic Charter of the Central Bank and its present operating structure appears to be the only point of agreement among the economists of different political persuasions regarding the financial market that the forthcoming constitutional government should have.

This may be inferred from the answers given by nine of them to a questioning by the news agency DYN. Those participating in the survey were the Peronists Eduardo Curia, Horacio Pericoli and Eduardo Setti; the Radicals Bernardo Grispun and Enrique Garcia Vazquez; the Developmentist Osvaldo Trocca; the Intransigent Miguel Monserrat; and the Communist Jaime Fuchs.

## Peronists

Marked differences of opinion in conceiving of financial matters (perhaps a reflection of the serious discrepancy existing in the Justicialist Party's internal political area) were the prominent feature of the Peronist economists.

Setti (aligned with Lorenzo Miguel's 62 Organizations) came out in favor of banks that render "public service," and called for the nationalization of deposits.

He remarked: "There are not positive, neutral or negative rates. Each business firm or individual may be one or the other, depending on whether or not it (or he) has the capacity to transfer them to prices or income. Under the present circumstances, the cost of credit must be lower than the cost of the firms' own capital."

Setti added: "The rates will have to be selective, from the first day of the constitutional government"; which "will necessitate an agency to mobilize bank assets, under the supervision of the Central Bank," to undertake the liquidation of assets of entities which have undergone intervention or which are in a state of liquidation. He said that he was opposed "to the change in structure of the BCRA [Central Bank of the Argentine Republic], as proposed by its current president."

Enrique Curia (enlisted in Angel Federico Robledo's Justicialist Action Coordinating Group) supported the notion of a nationalization of bank deposits "during a first phase," although, "at the same time there will be provision for a decentralized market area, progressing steadily toward a system of divided cash reserves, combined

with specific, supplementary rediscounts, at all times from the standpoint of credit selectivity."

Curia claimed that, "in the starting of the reactivation process," the loans allocated to finance working capital (for higher wages and more jobs) "should have negative interest rates"; while the liquidation of the private assets held by the state could be undertaken after the creation of an "ad hoc entity."

He chose not to make his position public regarding the change in the BCRA's structure.

Horacio Pericoli (Italo Argentino Luder's adviser) did not discuss nationalization of deposits as his two fellow party members did, but rather cited "rates regulated" by the Central Bank, enactment of guarantees for deposits and selective orientation of credit, "based upon sectorial, regional and social criteria."

However, he added: "Over the medium term, after the inevitable adjustment of the system, and based on the degree of responsibility shown by the economic agents, an area thereof could operate with free interest rates and there could be a gradual reduction in the percentage of the guarantee on deposits."

#### Developmentism

Osvaldo Trocca, a candidate for deputy representing the Integration and Development Movement (MID), maintained that it was feasible for the next government to refinance "immediately, on longer terms and at a regulated rate, all the business firms' financial debts contracted as of the date when the plan began."

He also cited three lines of credit: a. for investment plans in public sectors, financing of wage increments, housing plan and development areas, at very negative interest rates; b. for the business firms' circulating capital, at slightly negative rates; and, c. for short-term requirements, in a free financial area.

He also explained that, "The financial assets taken in defense of loans should be restored to their productive function immediately."

#### Radicals

Both Bernardo Grispun (Raul Alfonsin's adviser) and Enrique Garcia Vazquez (the Radical Civil Union's representative on the Multiparty Group's politico-economic board) agreed that it was important for the financial system to have "divided cash reserves," and that the credit be assigned by means of "preferential rediscounts" or "selected" ones.

Garcia Vazquez chose to stress that, "The official bank should resume serving its promotional purposes, aiming its action at promotional activities, which are not normally handled by the private financing entities."

Grispun emphasized: "A system without centralization of deposits in the hands of the state must be maintained"; and that, "a total revision of the Law on Financial Entities" is required" to relegate to "secondary status" the possible change in the BCRA's structure.

Grispun advocated "remunerative rates on deposits" for the investor, while Garcia Vazquez spoke of "a slightly positive interest rate on loans," and a reduction in "banking costs." Both mentioned the need to aid certain sectors, and Garcia Vazquez stressed: "Subsidy is not a bad word, but its use should be by way of exception."

They then called for a speed-up in the restoration of private status to assets held by the BCRA, and no change in the entity's structure.

#### Communists

The Communist Party economist, Jaime Fuchs, called for centralization of deposits, for no attraction of savings on the domestic market by banks with foreign capital ("they should confine themselves to operating with their own funds") and making interest rates compatible with the business firms' profitability, "allocating selected loans with differentiated interest."

He also fostered the Central Bank's role as a guide in the area of regulating credit and money, noting that any change that might be desired to impose "should be decided on by the National Congress."

#### Intransigents

Miguel Monserrat, representative of the Intransigent Party on the Multiparty Group's economics board, favored the nationalization of the banks, credit and insurance, and restoration of orientation and control of credit to national decision-making.

As for interest rates, he was inclined in favor of "very negative ones to promote reactivation, to help slow down inflation, to discourage speculation and to foster consumption and investment." During a second phase, interest rates should be "geared to the current situations."

He also deemed it necessary "for the assets currently held by the BCRA to be retrieved from their present immobility, and given a productive application and social usefulness."

2909

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## PRESIDENTIAL CANDIDATES' RELATIONSHIP WITH MILITARY NOTED

Buenos Aires LA PRENSA in Spanish 4 Aug 83 pp 1, 4

[Article by J. Iglesias Rouco: "Our Summits"]

[Excerpts] A few hours ago, it was military sectors linked with Peronism who leaked to certain reporters the rumors about a forthcoming, almost imminent meeting between Mr Alfonsin and General Nicolaidese; rumors which started circulating just when the leader of Renewal and Change had decided to notify the Army of his desire to avoid that meeting.

What could have been the purpose of this maneuver? Apparently to show that Alfonsin too deals with the military leaders, particularly at a time when, with Mr Lorenzo Miguel's new dispute, the issue of the trade union-military pact is taking shape again. But, at the same time, the authors of these "reports" may have been pursuing another equally interesting goal: to soften, by way of Alfonsin's military "commitment," the electorally negative impact of the recent statements made by Mr Luder who, agreeing with Mr Hardoy (a new and unexpected type of convergence) upholds the proposition, in opposition to Alfonsin, that the effects of the forthcoming "amnesty" law will be "irreversible." In the opinion of the politicians, Mr Luder has, with these statements, become the Peronist (and perhaps non-Peronist) candidate who is most "acceptable" to those in charge of the military leadership. According to some impartial observers, the feasibility of this declaration, which is, moreover, quite reasonable, may have been suggested to the Peronist candidate by Mr Rosendo Fraga, a specialist in military "internal affairs," and now one of the strongest bonds linking Luder and his trade union sponsors with the Army.

Inasmuch as this is a story the starting of which the Alfonsinists kept extremely confidential (a sign that there is no lack here of deep throats observing the Libertador Building closely), it is worthwhile relating its details.

## Absence of Meetings

As we already explained, during the period between the Alfonsinist denunciation of the trade union-military pact (early April) and Alfonsin's consolidation in the Radical "internal area" (mid-July), the Army commander and his advisers reached the conclusion that they should make contact as soon as possible with the leader of Renewal and Change. But, after Alfonsin's stormy meeting with Gen Suarez Nelson in February, and the no less stormy talk which he later had with General Sotera in March, during which Balbin's successor harshly attacked the former's trade union

policy and the latter's lack of "detachment" (those were his words), the possibility of those contacts began to appear rather remote to the officials at Libertador (it should also be noted that both his strategy regarding the trade union-military pact and the demands of his own "internal area" did not make them beneficial for Alfonsin, apart from his greater or lesser "affronts" with Sotera and Suarez Nelson). The Army's secretary general, therefore, did not obtain a completely repetitive talk with Mr Grispun until July; and, as if that were not enough, the latter met with Suarez Nelson without Alfonsin's prior knowledge, which brought about the small "Watergate" among the Alfonsinists, which we described on 16 July.

Because of this aloofness, a kind of epidemic began to spread in the offices of General Nicolaides' aides which, for the present, we shall call "Alfonsinitis": a mixture of emotion and indignation, which made the prey even more desirable. Not without reason, colonels and generals inferred that Suarez Nelson and Sotera would never regain Alfonsin's confidence; and they conducted another exploration, through another general, this time a retired one. According to our sources, that member of the military lunched with Alfonsin and promised him that his views would now be faithfully conveyed to the commander. Alfonsin who, at that point, had virtually ensured his "internal area," did not say yes or no; but he did say enough to prompt another general, and one on active duty no less, within a short time (last week), to approach a prominent member of the Alfonsinist "staff."

From what we know, this officer informed the follower of the "colored one" (a nickname with which some intelligence services label Alfonsin) that, to clear the path toward reconciliation, it would be fitting for the Alfonsinists to lower the tone of their "diatribes" against the Army. The follower is said to have promptly retorted that the Radicals "by no means" intended to attack the Army, but only "two or three generals." When the explanation had been given, both began talking, somewhat hastily, about the prospect of a meeting in the eternal snows: Nicolaides and Alfonsin. Immediately, three Renewal and Change "strategists" undertook the task of analyzing that possible "summit." We even know where they did so: La Casona de la Tia Teresa, a nice restaurant on Las Heras Street, which Alfonsin alternates with El Globo. But, despite the fine cuisine and the best mood (and perhaps for that very reason), the advisers of the new Radical chief decided that such a meeting would turn into a clash unless Nicolaides also publicly invited the heads of the other parties, and with a prior and very specific agenda. In short, they decided that not until the Peronist "internal affairs" ended in September could the two leading "white" chiefs meet (let's hope that television retransmits the spectacle).

Why? We shall not claim to have taken the napkins on which the Alfonsinist strategists sketched the maps and noted their assessments of that plan; but almost. The main idea may be summarized thusly: None of the problems that Alfonsin would have to deal with now at his "summit" with Nicolaides could be solved by the commander, at least in a manner favorable to the Radicals:

1. Trade union-military pact. According to the Alfonsinists, the action of the Army chiefs and Mr Villaveiran shows that the negotiations for the "alliance" are continuing ahead. Furthermore, the appointment of Mr Valentin Suarez as auditor of CGT [General Confederation of Labor] has in his eyes represented the golden touch, and even the gold and diamond touch, for the aforementioned alliance. With

a group of lawyers, including Villaveiran, Capelli and Ferro, during the first Peronist government Suarez founded the Ministry of Labor. Since then, his friendship with Framini, Lolahaberry, Valentin Fernandez and other Peronists would only have enhanced his desire for a pact, or his corporative desires. The Radicals, who want to change the present trade union structures completely, do not consider Nicolaides to be in a position to do so, even if we wanted to, which they doubt.

2. Political exclusion of the Armed Forces. The same thing would happen with regard to the supposed intervention of Generals Trimarco and Sotera in the "internal affairs" of the Peronists in Buenos Aires Province.

3. Retirements, promotions and leave among the military. Alfonsin wants them to be postponed until the constitutional government takes office, and he reportedly thinks that, in any event, what he could say to Nicolaides today might also be said to him after the elections of 1 November.

4. Malvinas. The military chiefs have not yet explained anything about the war. A new demand for information would be nothing but mere repetition.

5. Amnesty. Nicolaides already knows Alfonsin's position.

6. Alfonsinist program. In Alfonsin's opinion, the same.

#### Other Reasons

Finally, the Renewal and Change staff suspects that it still has good reasons for not opening its heart to the lieutenant general, among others, the new government press campaign wherein Alfonsinism is being depicted as synonymous with the Democratic Union of 1946. The Radicals claim that Mr Fraga is one of the main instigators of that campaign. They are also suspicious of the disclosures being circulated regarding the forthcoming military reorganization by certain of the commander-in-chief's officers, such as Colonel Dasso. In this respect, they add that the rumors about General Wehner may be based on the cavalry's intention to "promote" this member of the military, as opposed to the infantry, which supports Gen Fernandez Torres, and the artillery, which would back Gen Mallea Gil. In brief, Alfonsin, a former member of the lyceum, still observes too much agitation surrounding his possible interlocutor.

Certainly, if the complete history of these times is ever written, there will be sufficient reason to laugh, and also to cry; or, rather, to laugh and cry at the same time.

2909

CSO: 3348/601

## UIA ISSUES DOCUMENT STATING CONCERNS OVER ECONOMIC MEASURES

Buenos Aires LA NACION in Spanish 5 Jul 83 p 1

[Text] The Argentine Industrial Union (UIA) made a statement in which, basically, it points out the need to bring the wage policy into line with prices, the one being applied for rates of interest and tariffs whose increases, it is pointed out, have converted the industrial sector into the "economic cycle adjustment agent." The UIA further requests "that power be exercised coherently" and stresses the contradiction of measures imposed by economy relative to price control with those orchestrated by labor for pay increases.

#### The Document

Following is the full text of the document:

"With seriousness and also with the usual firmness, the UIA feels the need to express its growing concern over the economic situation which our country is experiencing.

"Various circumstances which are no part of the case to be analyzed in this document because they are widely known, have weakened a process of government which let itself be trapped by its own contradictions, and the least which can be demanded for the period still remaining until the turnover to the new authorities is that power be exercised coherently because it is not possible to continue in the confusion which contradictory signals generate in financial operators and result from the actions and statements of officials belonging to the same governing team.

"While price controls are being stressed through the Ministry of Economy and its Department of Commerce, the Ministry of Labor is preparing pay raises over basic ones which because of the mechanics imposed on the slow previous negotiation are being transformed into retroactive increases of much higher level which that ministry claims to be unaware of in terms of their impact on costs, under the argument of a so-called voluntary concession.

#### Inflation

"We are aware of the need to improve the purchasing power of salaries, but to do so it will be necessary to adjust the basic factors generating inflation,

support recovery so as to create new sources of employment, by not allowing the productive sector to become weakened by a whole set of negative factors making the pay raises illusory.

"Otherwise," continues the UIA document, "problems will multiply with growing social disorder, and neither the election process nor the beginning of an institutionalized future will have the climate essential to constructive development.

"Today the overall effect of the very high rates of interest on the free market, price controls which claim to hold to a rigid schedule and the tariff policy whose increases exceed industrial price increases have converted the industrial sector into an adjustment factor in the economic cycle.

"Since there is no overall plan which attacks the deep problems of inflation, the best way in these times is to look for the vindication of economic variables, above all by taking into account that inflationary expectations have risen, inspired by foreseeable difficulties in the fiscal and monetary situation, a consequence of high expenditures by the Treasury, leading it to acquire the major part of financial resources from the market to the detriment of private production activity.

#### Bring Things Into Line

"Therefore a new effort to bring things into line between the pay policy, price policy, rates-of-interest policy and tariff policy is needed.

"As we have warned on many occasions, the exorbitant interest rates return us to the lowest levels of recession and unemployment and will end by exhausting already weakened industrial companies.

"If the industrial sector does not function, the recession will regain all its virulence.

"We repeat, the only way to reach the institutionalization which we all want," concludes the UIA document, "is the normal and coherent exercise of government with clarity in its objectives and unity in leadership."

9435

CSO: 3348/558

## UIA PRESIDENT ADVOCATES CLOSER RELATIONS WITH U.S.

Buenos Aires LA PRENSA in Spanish 13 Jul 83 sec 2 p 2

[Text] The president of the Argentine Industrial Union (UIA), Roberto Favelevic, said that during a recent trip to the United States, "I asked in various companies in that country for a trade policy with Argentina similar to the one which was applied a couple of decades ago in the Far East to halt the advance of communism."

Favelevic denied that such a concept means that he is in favor of a "trading post policy" for Argentina with workmanship "very poorly paid and with industries cut off from the domestic market and in business solely to produce for export."

When he was asked whether he agrees with U.S. President Ronald Reagan insofar as the recovery of Western countries in debt is concerned, it depended in the first place on prior recovery by the United States. Favelevic avoided giving answers.

When there was persistence on the subject, he let his agreements with Reagan's policy be guessed at, in the face of which one journalist asked for his thoughts on whether the head of the International Monetary Fund (IMF), Jacques de Larossiere, shares Reagan's thesis.

Favelevic gave this press conference for the purpose of talking about his recent trip through the United States, during which he met with officials of the State Department, the House of Representatives, IBRD, the Inter-American Development Bank, the AFL-CIO union organization, the Industrial Management Headquarters of that country, the Treasury Department and the International Finance Corporation.

## Western-Oriented Argentina

Favelevic stressed the need to reinsert Argentina into the western world and emphasized the case that "none of the majority parties are hoisting anti-North American banners.

Despite the political interest which in his judgment such an attitude might give them.

Favelevic corrected one of the journalists present when he described the United States as an "enemy" of Argentina during the war over the Falklands, by saying, "Let's say that the United States was not a friend."

On more than one occasion the UIA president also said that Argentina needed an opening to the market in the United States to place its exportable balances as the only alternative for obtaining the dollars needed to pay the foreign debt.

He said that the current "dependence" which Argentina has in the area of exports by depending in large measure on the Soviet sphere puts Argentina in a "weak" position.

He also spoke out against the protectionist policies of the highly developed countries of Western Europe, primarily relative to the subsidies which they tack onto their exports.

On the other hand, he pointed out that in the case of the United States there are good prospects for selling, for which some measures of permanent promotion must be applied.

"The trouble is that we Argentines do not know how to sell," said Favelevic, who proposed creation of a "lobby" (pressure group) which would operate in the United States so as to find alternatives which would allow us to avoid the obstacles to the introduction of Argentine products on that market.

9436

CSO: 3348/558

## MORE REALISTIC BARTER POLICY SOUGHT

Buenos Aires MERCADO in Spanish 7 Jul 83 p 19

[Text] Barter operations are forbidden in Argentina. Legal standards require all foreign trade, imports or exports, to be carried out in hard currency and in accordance with harsh rules of the Central Bank in this connection.

Several firms consulted by MERCADO reported that on several occasions they had spoken to the authorities on obtaining a more pragmatic approach but without positive results. A new possibility is of interest, for example to steel companies which import iron ore and could pay for it with manufactured goods; the same thing occurs with the importation of alumina and future payment with aluminum bars.

The closest operation to bartering is, indirectly, the temporary importation of commodities for domestic processing and subsequent export as finished products, but this involves a very inflexible mechanism. Nevertheless, more significant advances have been achieved in the strictly financial field, such as the Lima system. Argentina has participated in several efforts to expand trade in the Latin American Free Trade Association (ALALC) (1960 to 198) and Latin American Integration Association (ALADI) (beginning in 1981) areas by means of multilateral agreements on payments which avoid physical transfer of hard currency, along with the granting of credits among countries. Setting up the mechanism now in operation was very difficult owing to the strong opposition voiced by the International Monetary Fund which feared that the zone would move along the path of monetary inconvertibility and bilateral trade agreements.

Finally, the ALALC multilateral system of payments was created, passed on 22 September 1965, which went into effect 1 year later with the fundamental objective of effecting savings in the utilization of international hard currencies. It is identified by different names such as the Mexico Agreement, the Lima System because the Central Bank of Peru is the one handling transactions, or the Reciprocal Payments and Credit Agreement.

Involved is an agreement among the central banks of the 11 ALALC/ALADI countries through which reciprocal credit lines are voluntarily extended. Whenever a country has a negative trade balance in its trade interchange with another from the zone as a result of export and import trends, it has a period of up to 120 days to cover the deficit trade balance. The rate of interest which is applied is in terms of the "prime rate" in New York.

Through this system ALADI countries have transferred hard currency to each other which were only about 20 to 25 percent of the total which might have been needed if the system had not existed. When it began to be applied, transactions amounting to \$106 million were handled in 1966; in 1973 operations exceeded \$1 billion, to reach the maximum of \$9,331,000,000 in 1981. In 1982 the level dropped to \$6,553,000,000 owing to balance-of-payments problems in Argentina and Brazil which took care of balances outside the system. It is estimated that 75 percent of the transactions in ALADI are handled through this mechanism.

The system is considered one of the most successfully applied in the area not only because of the level of sums attained in savings of hard currency but also because of an appreciable reduction in the costs of transactions by eliminating commissions and interests which used to have to be paid to private banks outside the zone.

9436

CSO: 3348/558

## BRIEFS

WINE FOR TRACKLESS TROLLEYS--The minister of national economy reportedly issued a call for international competitive bids for the sale of 91 million liters of wine submitted under "nonmarketable policy" on the domestic market, meanwhile bartering operations would allegedly be carried out for a smaller volume with Romania, East Germany and the Soviet Union. Government sources said that the operation which the ministry would reportedly launch "would involve accepting offers of cash payment in full, partly in cash and the remainder in installments or by means of repayment in goods." The transaction takes on urgency because the wines--obtained by the provincial government by means of debt cancellation with local banking houses--are in high-cost containers and run the risk of progressive spoiling. The call for competitive bids reportedly included 91,432,000 liters of wine which cannot be sent to the domestic market since they would saturate the market and bring unfavorable pressure to bear on prices which nowadays are showing a positive rise. Official spokesmen said that "it is not desirable" for the competitive bid to include the entire stock belonging to the provincial state--some 122 million liters--inasmuch as some 30 million have been set aside to be used in other commercial operations. The government of Mendoza is in very advanced conversations with the Soviet Union, East Germany and Romania on exchanging wines for trolleybuses and industrial equipment. If the operation on both sides successfully takes shape, Mendoza would reportedly eliminate the total "stock" of wines in storage and support by such action the constant price rise of the product on the domestic market. [Text] [Buenos Aires LA PRENSA in Spanish 13 Jul 83 sec 2 p 6] 9436

CSO: 3348/558

## VOLUME, VALUE OF EXPORTS FOR JANUARY-APRIL 1983 REPORTED

Santiago EL MERCURIO in Spanish 28 Jun 83 p B 2

[Text] During the first 4 months of 1983 exports maintained a volume practically identical to that for the same period last year. Nevertheless, export prices experienced a 3.5 percent drop, which was reflected in a similar drop in the value of exports.

During the period January-April 1982, the value of exports reached \$1,297,500,000, as compared to \$1,251,600,000 for the same period this year.

The foregoing conclusions can be drawn from the price index data and export product figures prepared by the Central Bank, the growth of which confirms the negative effects on Chilean exports of consistently low international prices as observed since 1980.

## International Recession

The drop in international prices, due to the worldwide recession, has had a significant impact on Chile's exports. In fact, based on Central Bank figures, the average price of goods sold abroad by our country fell 32.3 percent between January-April 1980 and January-April 1983.

In spite of this, during the same two periods the physical volume of this nation's exports rose by 13.3 percent, which is a reflection of significant improvements in productivity made by the Chilean economy over the last few years.

## Recent Months

Comparing the first trimesters of 1982 and 1983, it can be seen that mining products are the only group of exports that have shown a decline in physical volume, to the tune of 6.8 percent overall. This decline corresponds to a slight reduction (1.1 percent) in copper exports, and a significant decline (21.2 percent) in noncopper exports. Altogether, the value of mining industry exports declined by 6.3 percent.

Exports of "agricultural and maritime" products during these same two trimesters showed an average increase of 14.7 percent, which can be explained primarily by a 21.9 percent increase observed in the agricultural sector. In

spite of this, the value of agricultural and maritime exports grew by only 3.1 percent, due to the fact that prices fell 10.1 percent between the two trimesters in question.

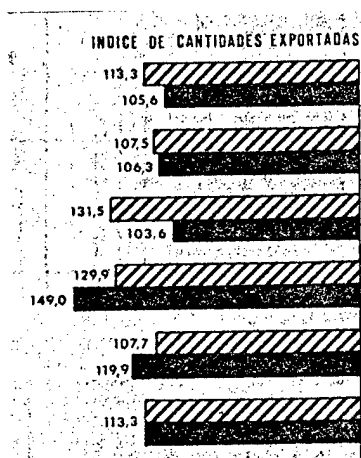
A similar process occurred in "industrial products," where, although export volumes grew by 11.3 percent, prices fell 11.8 percent, which in the final analysis produced a decline of 1.8 percent in the value of exports.

Growth of Exports  
Base period Jan-Apr 1980 = 100

Jan-Apr 1982  
Jan-Apr 1983

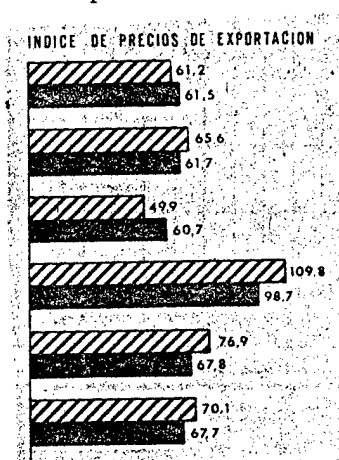


Volume of Exports



Total  
Mining Products  
Copper  
Noncopper  
Agricultural and  
Maritime  
Industrial  
GRAND TOTAL

Export Price Index



9839

CSO: 3348/515

## CENTRAL BANK REPORTS ON 1982-83 WHEAT PRODUCTION

Santiago EL MERCURIO in Spanish 1 Jul 83 p B 2

[Text] The ongoing decline of acreage planted in wheat during the period 1976-82 in Chile can be explained by the drop in wheat prices on the international market, according to a study by the Central Bank.

The study points out that the value of wheat dropped from an annual average of \$176 per ton (FOB Gulf) during 1980 to \$161.50 (TM) during 1982, with a drop of 17.6 percent in its real value.

The report goes on to specify that "this affected the decision made by wheat producers to replace wheat with other crops."

The data contained in the bank's study indicate that wheat cultivation dropped from a total of 628,000 hectares during the 1976-77 period to a total of 355,000 hectares during the period 1982-83 (overall totals).

The sequence shows that following the 628,000 hectares cultivated in 1976-77, the total dropped to 579,000 during the 1977-78 season, then to 560,000 during 1978-79, to 545,000 in 1979-80, to 432,000 in 1980-81, to 373,000 in the 1981-82 season, and finally to a low of 355,000 hectares during the 1982-83 growing season.

## Production

The report confirms that Regions 8 and 9 are historically those that grow the most wheat, each with plantings of more than 100,000 hectares during the 1982-83 season.

The bank report shows that domestic wheat production fell from 1,219,320 tons in the 1976-77 harvest to 650,450 tons during 1981-82, "with an estimated wheat harvest this season of 610,000 tons."

## Imports

Chile's wheat imports in recent years have come primarily from the United States, and consist mainly of Hard Red Winter No 2. Soft Red Winter has been another important variety.

Wheat purchased abroad reached a total 1,029,268 tons in 1981, for a total value of \$211 million. Both figures are the highest of recent years.

In 1982, 992,034 tons of wheat were imported, for a value of \$175.8 million, and during the period January-April of this year, 249,180 tons were imported for a value of \$44.8 million.

Prior to 1981, imports fluctuated between 648,000 and 972,000 tons.

#### Consumption

The bank's experts contend that for the period between 1977 and 1982, apparent domestic consumption of wheat can be estimated at an average of 1.7 million tons a year.

They add that the share of imports in the level of consumption shows a significant increase during this same period, and during 1982 represented 60 percent of the total.

The study concludes that the policy of setting a reference price for domestic wheat announced by the Ministry of Agriculture has as its objective to permit the local growers' price to remain at a constant ratio to international wheat prices, both in the short and medium term.

This in turn may result in an increase in wheat planted, and on the other hand, an increase in domestic production, thus reducing the need for imports of this important grain, according to the bank's conclusions.

9839

CSO: 3348/515

## OPPOSITION LEADERS ON DEMOCRACY, COMMUNISM, ARMED FORCES

Santiago EL MERCURIO in Spanish 24 Jul 83 p D 1

[Article by Blanca Arthur: "Requirements for a Dialogue"]

[Text] The current political situation is moving at a dizzying pace. But while events are taking place, some intervals that invite reflection open themselves to us. And this is what has been happening these past few days during which the country has been overwhelmed by a big question mark.

Will the dialogue the pope too called for to avoid the tension that has taken possession of the country recently succeed? Will there be a meeting between the government and the opposition to seek a consensus that will establish the basis for the future democracy?

These are the questions people are trying to answer in both camps, while a sort of game is noticeable in which it is hoped that someone will take the "first step."

Many say that it is up to the government to open the doors. But what is preventing it from doing so?

From the barricades of various party factions can be heard an appeal to the opposition to act in a "politically realistic way," because it does not seem to be clear that the government will decide to make a move before the opposing political factions assume some positions.

In different tones, various voices have stated that recognition of the legitimacy of the government on the part of the dissidents is the chief requirement for the meeting to take place.

Not the only one. Voices have also been raised indicating that, if we want to establish a road to democracy and see to it that it is a stable one, the democratic opposition must today specify the position it will assume toward the Communist Party and Marxism, in view of the fact that they are the forces that undermined democracy and motivated the intervention of the Armed Forces.

And one last point — on which these statements have been more silent — is that we must know what opposition politicians have in mind with regard to the

role the Armed Forces will perform in the future democracy and also whether they intend "to ask them for an accounting" when they have turned the government over to civilians.

This may not be all. Nor what is in fact keeping the government from opening the doors to the political opposition.

But EL MERCURIO wanted "to open fire"... and we were in search of those "assumptions of positions," which is why we turned to three representatives of the opposition.

All of them spoke. And while their statements are not the explicit ones many would hope for, all of those interviewed agreed in admitting that the issue is a "burning" one.

Christian Democrat Enrique Krauss

Legitimacy or Legality?

Former Undersecretary of Interior, Minister of Economy and Christian Democratic Deputy Enrique Krauss admitted that recognition by the opposition of the legitimacy of the government has recently been raised as a matter of principle in dealing with the process of transition. But in the deliberate manner — and not lacking in irony — in which he speaks, he remarked that — yet with the respect those who defend this opinion deserve — in his judgment it seems to be a "kind of escapism to get out of making more urgently needed decisions."

Justifying his appraisal, he explained that obtaining a declaration that would apparently attempt "to exculpate the existing situation as a fait accompli and grant the 1980 Constitution a sort of plenary indulgence" would mean an invasion of Chileans' innermost thoughts and carrying the political debate to aspects of natural law that, he said, "admit of more than disputable interpretations." Nor does it seem right to him to settle the matter this way because — aside from, in his opinion, involving a lack of political realism — "it constitutes establishing a requirement with a disputable ethical basis with respect to a segment of our society whose exact size cannot be determined and which for various reasons neither identifies itself with nor espouses them [the interpretations] and other dates and events of these past few years."

Nevertheless, Krauss pointed out that it is a different matter if what is being demanded is recognition of the legitimacy of the government "in the sense Max Weber endowed it with, that is, respect for legality, meaning by this obedience to enacted, positive legal precepts." He noted that such legality must be observed in view of "its obligatory nature by anyone who lives in Chile."

And he said: "Hand in hand with it Edict No 1, the Constitutional Proceedings, the 1980 Constitution and the Statute of Transition have been and are being observed. But there is an unconscionable demand that we attempt to transform this respectful observance into an act of love for the texts of these documents."

## No to an Agreement with the Marxists

In spite of the fact that he had previously established that whoever calls himself a democrat "must of necessity accept the fact that one of its [democracy's] characteristic elements is pluralism," a principle that implies "recognition of every member of the political society's freedom and equality in trying to impose its truth in favor of the common welfare and the social order," when it came to speaking out against Marxism, he made several statements.

And before beginning to define his position, he felt it appropriate to point out that, "while Marxism represents a view and a response that are debatable but important in terms of the world situation and in the face of the worrisome dilemma of the present time, that response is not monolithic," which he asserted, providing as examples the fact that the Marxist-Leninism of Cuba and the Soviet Union is not the same as French, Spanish or Italian Eurocommunism or a neo-Maoist communism like China's. "Having identical ideological currents," he said, "each one of these Marxisms represents different concrete formulations."

These are the considerations that lead him to assert that the issue of Marxism should be focused on very specific points, questions which he himself raised and answered: "Is it possible for a democrat to formulate an overall political plan jointly with Marxists? I don't think so. I think that in the domain of politics there is neither a possibility of nor a desire for reaching agreements with those who profess such ideas, particularly those with a Marxist orientation and which fully adhere to Soviet orthodoxy. Democratic ideals are diametrically opposed to those ideas whose ultimate objective is a totalitarian society. If we go from ideological analysis to practical considerations, the differences are even greater."

He was, however, less categorical — or precise — when he spoke of the presence of the Communists in the future Chilean political spectrum:

"On the basis of the fact that the law penalizes conduct, not thoughts," he said, "the problem of the existence or absence of given factions in the actual Chilean political situation is not a problem of the democratic system, but of those who are members of those factions. They will have to decide whether they accept or repudiate the rules of the game, which rules should in the greatest possible detail codify those kinds of behavior that are objectively considered to be threatening to the democratic system."

## No More Lack Of Communication Between Civilians and Military

When he tackled the topic of the future role of the Armed Forces, Krauss focused on the existence of a separation that cannot be allowed to repeat itself. And in his manner of speaking he explained:

"One of the reasons why we civilians ought to pour ashes on our heads when the Lent that will end in the resurrection of democracy begins is the lack of communication, rapport and understanding with the Armed Forces. Believing we were respecting professionalist ideals and a supposed lack of deliberative ability,

they were kept separated from the society as a whole, an agreement they themselves collaborated in, organizing themselves in a ghetto which they did not abandon until -- precisely -- they started to deliberate.

This led him to adopt an idea that more than one scientist has expressed:

"Democratic regimes are often overthrown due to their inability to define a suitable relationship with the military. Military dictatorships in turn fall due to their almost congenital inability to establish an understanding between civilians and military. The history of Latin America constantly offers proof of this."

And for Enrique Krauss that is precisely what must not happen in the future, when they will of necessity have to perform another role:

"The Armed Forces, whose role is decisive in the transition to democracy, will certainly play a role in the future that will go beyond their traditional responsibilities of maintaining external security and internal order. They will be a dynamic factor in the economy, in the planning of development, in dealing with natural emergencies, in stimulating poles of geopolitical interest. Experiences prevailing in other countries attest to the fact that this is possible and expedient."

He did make it clear that, this notwithstanding, "we cannot allow the Armed Forces as such to play a role in political action, much less to become its referees. They represent the armed right hand of the democratic government and as such constitute designated instruments, guarantors of the freedom and independence of the country and its people."

#### High-Level Challenge

The future role of the Armed Forces seems to be so decisive to Krauss that, to achieve democratic stability, it is necessary to clear up, "now and urgently so," the question of possibly censuring them "to avoid situations like those Argentina is anxiously experiencing."

He did not hesitate to say that this is the most disturbing matter, one that calls for the necessary and urgent reconciliation of Chileans.

"For reasons which, in the final analysis, it will be up to history to pass judgment on," he said, "there have been violations of human rights in our country. The victims of these, their relatives and their friends would like to see those responsible for them be appropriately punished. And this not even for reasons of retaliation. It is a feeling that is as natural as can be explained."

But with the same sincerity he noted that "it is a problem that we have to face realistically" and that "it involves a political challenge of the highest order, one in which no Chilean can avoid his share of the responsibility for finding a solution." And he enlarged on this:

"Such a solution is based on the assumption that the common goal is the recovery of democracy. To achieve it we will have to perform many acts of generosity and sacrifice, like those recorded in our history on other occasions. These acts must at any event respect values as important as justice. Hence, the ordinary legal channel for sanctioning the punishment of common crimes must obviously remain in effect."

Social Democrat Rene Abeliuk

"What Is Important Are the Partners in the Dialogue"

Known as a man who is open to a dialogue, the leader of the Social Democratic Party and former member of the Radical Left Party, which abandoned the ship of the UP [Popular Unity], Rene Abeliuk, believes that what is urgently required to open the floodgates is to determine who the partners to the dialogue will be. He said that this is fundamental and that "his attention was aroused and he was intrigued" by the concern that exists for something he described as "theoreticians," as is the request that the legitimacy of the government be recognized, "which in my opinion is lacking in any importance as an issue to initiate the dialogue in this country and achieve the understanding that may vanquish the present crisis."

That is why he paused to talk about who the partners to the dialogue ought to be:

"There is no doubt," he said, "that as concerns particular problems the participants will be the government and the labor unions, trade associations or other institutions that are directly affected. On the other hand, if it is a question of the country's overall problems, the participants will necessarily be government officials and opposition representatives. Since not all of these may at this time participate in a dialogue, understanding among those they represent: the government, on the one hand, and the political parties through their recognized leaders, on the other, has to be reduced."

He did not hesitate to assert that "everything else is avoiding the problem and basically looking for a pretext to keep from arriving at an understanding."

"And this," he said, "seems serious to me because problems like those the country is facing require the patriotic and disinterested cooperation of all Chileans. The contrary would be preparing the way for a solution involving violence, which the immense majority does not want but which the persistence of a few may make inevitable."

Marxism: "Complex Problem"

Abeliuk admitted that the problem of the limits of pluralism "is one of the most complex in a democratic system." Because, in his opinion, the arguments that are now being presented to define positions in opposition to Marxist participation "are in theory valid for both sides." And he said:

"They say that a democratic regime has the obligation to defend itself from those who attempt to destroy it. On the other hand, they argue that, while no specific actions may be taken in that direction, this implies prejudgment and democracy would cease to exist if it were to resort to antidemocratic methods to defend itself."

And in the case of Chile he believes that the problem should be dealt with "instead in a practical way," asking ourselves, he said, whether it is possible to exclude "forces that historically represented almost a third of the national electorate during the last elections" from the democratic process. And he also reflected on "the experience we have had with the futility of this sort of prohibition, which is also counterproductive to the effect they say they seek to achieve."

And finally, stating his position, he said that he shares the one adopted by the so-called Group of the 24: "That is, I don't believe that anyone ought to be excluded because of his ideas, except naturally those who advocate theories involving violence and terrorism, but that behavior that specifically threatens the democratic system of government must be punished. And these penalties must be meted out by absolutely impartial and independent courts."

In any case, he finally admitted that, "if the price for a return to democracy" is participation in a system that excludes such people, "I would feel obliged to do so against my will, but would try to make [the exclusion] as mild as possible and of the shortest duration."

#### Armed Forces: New Tasks

Rene Abeliuk is not one of those who believes that the Armed Forces ought to return to their barracks under the same circumstances they were in until 1973 "because they have been superseded in the modern world." But he does not believe that they should in any way participate in emergency policy either, "in which situation they should be nondeliberative and subject to the civilian government, which is not, of course, exclusively the executive branch." He said that that is why he does not like the solutions the 1980 Constitution provides with regard to this.

In his opinion, the Armed Forces, of course, will hold a monopoly over national defense and will also play a very important role in problems of national security, "the latter to be understood as a fundamental element of our legal standing, not as a doctrine that has spread throughout the world, especially in Latin America, and which is an obvious perversion of this fundamental principle."

To make his position clear, he spoke of the concept of national security, which he feels to be "considerably more extensive than just national defense in view of the fact that it covers problems of socioeconomic development among others."

Therefore, he believes that the Armed Forces should participate in the appropriate agencies (socioeconomic council, if there is one, development corporation, etc.) at both national and regional levels.

He also thinks that, in order to achieve greater integration of the Armed Forces into the society, they "should have the right to vote without this affecting the ban on political activity at military installations, just as such activity is not permitted in the courts and the public administration in general."

#### "Generous Spirit Is Needed"

In the face of the concern many people have that opposition factions might want to establish Nuremberg-like tribunals once the Armed Forces turn over the government, Abeliuk appealed to the need for effecting conciliation.

"I believe," he noted, "that in this country we have to fully establish peace through a broad spirit of generosity and reconciliation. And there should not be a general censure of all those who participated in the previous government with every political transformation."

But then he made it clear that this does not relieve us of the responsibility of owing "reparations to all those persons who themselves or whose families have suffered some unjust form of abuse," nor does it imply either that "they may not take those legal actions that may be appropriate before the existing courts and in conformity with existing laws."

Socialist Ramon Silva Ulloa

#### "History Will Judge"

For Former Socialist Senator Ramon Silva Ulloa — who with the termination of the UP became a member of the little USOPO [expansion unknown] Party — declaring oneself on the legitimacy of the government "is embarking on a debate that does not resolve the problems that affect the moral, political, social and economic bases of concern to our society." He does not believe that it is a prerequisite for a dialogue; rather, on the contrary, in his opinion "it is a war of distraction that extends a smoke screen to conceal the fundamental problems."

The former member of the UP and present signer of the so-called "Democratic Manifesto" does not feel that this position is possible either, arguing that "we who are actors in this dramatic turn of events our native land is going through are not fit to pass judgment on it because of the passion that may guide our opinions. It will be those who in the future write the history of this period who will be able to deliver more accurate judgments."

#### "I Am Neither Anti Nor Anticomunist"

Despite the fact that the socialist faction with which he today identifies himself shows itself to be separated from Marxist-Leninism and the Communist Party — what is referred to as "convergence" — in stating his position with regard to the political currents, Silva Ulloa declared that "I have never been 'anti' and so I am not anticomunist." And he noted:

"I believe that, being part of our society, the Communist Party has a perfect right to join it within the framework of coexistence determined by positive legislation. Eliminating a party or opinion faction from our society is like amputating a member of the human body and maintaining that the ideal is to live without it."

Therefore, in the position he assumes he does not yield on the point that they should not be excluded from our national life. "When the political parties were operating, we Socialists competed loyally with the Communists in attracting worker memberships and our involuntary immobilism apparently made it possible for the Communist Party to be stronger today than it was before, if we are to judge from the declarations of the government."

He feels that we must bear in mind that Marxism is a philosophy that has been around for over a 100 years now and, as he says, that "like Christianity it has many forms of expression and, just as a Catholic is as Christian as a Protestant, in Chile we Socialists have critically accepted the fact that Marxism is useful as a method for interpreting social reality."

Thus Silva Ulloa believes that a democracy in which "respect for the minorities and esteem for the majorities should prevail" will enable all socialist, Christian or lay factions "to coexist through what is called 'historical socialism'."

And not only that. Looking to the future, to the return to democracy, he did not hesitate to assert that "they will constitute a great movement to turn over to our people a remodeled organization ready to vigorously struggle for the reconstruction our country needs."

#### "Only Reinstate Democracy"

When he was stating his position on the future role the Armed Forces ought to perform, Silva Ulloa limited himself to pointing out what the "Democratic Manifesto" — which he, together with former Christian Democrats, radicals and other socialists, signed — had to say about this in the sense that "only democracy is capable of guaranteeing the Armed Forces and the police suitable scope to carry out their professional tasks and contribute to development as national institutions that have the respect and support of all Chileans. With the reinstatement of democracy the framework will be built that will permit them to fully assume the duties they are responsible for."

He did not get any farther than that quotation either without our asking him to reply to that possible "request for an accounting" that some people would not be prepared to abandon. And he referred to the paragraph of the manifesto that states that: "We appeal to everyone to face the future with neither hatred nor a desire for revenge, but with a spirit of generosity and a determination to be just. Our appeal is in pursuit of the goal of reconstructing democracy in Chile in the shortest possible time, to which end we believe the unity of all Chileans who loyally accept its principles and are capable of behaving in conformity with them is necessary."

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## INTERNATIONAL RESERVES EXPECTED TO FALL \$1.5 BILLION IN 1983

Bogota EL SIGLO in Spanish 26 Jul 83 p 11

[Article by Raul Rodriguez]

[Text] According to estimates by the Bank of the Republic, Colombia's international reserves will fall this year by more than \$1.4 billion as a result of the deficit in the balance of trade resulting from the fact that outlays for imports exceeded income from exports.

EL SIGLO learned that at the end of the first half of this year the amount of foreign exchange was \$3.945 billion, as opposed to US \$5,649 billion as of 31 December 1982.

This implies that so far in 1983, the country's foreign reserves have declined by nearly \$1.4 billion. It is expected, however, that the rate of decline in foreign reserves will shrink in the coming months as a result of a series of measures taken by the government economic team.

In the area of foreign trade, the following decisions have been made, among others:

--Transfer of nearly all customs positions to the system of prior licensing, to the point that today 80 percent of the annual value of imports is under this system.

--Generalized increase in amount of import duties as a means to provide greater protection for industry and national labor.

--Strict controls on the use of foreign exchange, principally concerning tourist dollars, whose quotas were reduced. Furthermore, imports considered unnecessary, in areas where Colombia is self-sufficient, have been banned.

--On the other hand, to stimulate exports, the government has accelerated the rate of devaluation, an index that will be around 25 percent in 1983, much higher than that recorded since the current exchange system was implemented.

--In addition, the government raised the percentages and expanded the coverage of the Tax Credit Certificate (CAT), a key instrument in the promotion of exports other than coffee.

--The same battle against smuggling implies a savings of foreign exchange, since in addition to guaranteeing greater and more effective protection for national industry, the government is preventing part of the foreign reserves from being diverted to the illegal purchase of goods.

--There have also been measures concerning payments for exports and drafts for imports, which in the long run are aimed at the same objective, at times when there is a trade deficit.

--There are projects with the same objective: the new framework law on foreign trade, which includes the creation of the Cert instead of the CAT, the reform of the free trade zones and the modification of the Vallejo Plan.

#### Venezuela

The reasons for this decline in international reserves are varied, but prominent among them are the disastrous consequences of the exchange crisis in Venezuela and Ecuador, which forced those governments to devalue their currencies, which in turn diminished the competitiveness of Colombian exports on those markets.

For example, during the first half of 1983 the value of national exports to Venezuela fell by \$400 million, a factor which has had a severe impact on the country's present trade balance.

The same is true of exports to Ecuador, while contraband, primarily food, smuggled from those countries to Colombia is strengthened, to the detriment of national industry and commerce. The latter have seen their inventories climb, while their financial obligations to third parties have risen as well.

Meanwhile, exports of the principal product of our national economy, coffee, are at levels more or less similar to those of earlier years, but less revenue is coming in from this area because of the fall in international prices for coffee.

As for exports [as published], although their value is nearly 2 percent below that of the same period last year, that does not make up for the decline in revenues from exports.

Furthermore, another source of increased foreign reserves in recent years (which totaled nearly \$6 billion at one point), interest on foreign exchange investments abroad, has declined also, because of this drop in the volume of foreign reserves as well as the relative fall in interest rates on foreign financial markets.

The Bank of the Republic's estimates imply that by the end of this year the value of the country's foreign assets will have dropped below \$4 billion, but the rate of decline is expected to slow down by the second half of the year, to the extent that there could be a slight resurgence. In the best of cases, that would put our reserves at slightly above US \$4 billion.

8926

CSO: 3348/609

## GOVERNMENT'S 4-YEAR DEVELOPMENT PLAN ANNOUNCED

Bogota EL TIEMPO in Spanish 22 Jul 83 Sec A pp 1, 14

[Article by Carlos Pineros: "Development Plan Equivalent to 4 Times the Budget"]

[Text] Yesterday, the government disclosed its 4-year development plan entitled "Change with Equity," calling for total investments that amount to nearly 4 times the 1984 national budget, which is 428 billion pesos.

The investments total 1.589 trillion pesos and prominent among them is the sum of 515.2 billion pesos for housing, 68.2 billion for rehabilitating areas hurt by violence, 23.1 billion for research and transfer of agricultural-livestock technology, 43.4 billion for land improvement, 15.2 billion for extension education, 24.5 billion for health and 11.6 billion for scientific research and technological development.

Upon introducing the program at a press conference, Hernan Beltz Peralta, chief of national planning, remarked: "It is very sure to be fulfilled, and it has already started to be implemented; it was agreed upon, and has no obstacles. We want Congress to appoint the commission for the plan, and the latter to become a law of the republic."

The 307-page document containing the plan gives a reminder that the National Development Projects Fund (FONADE) "took an inventory of studies made during recent years which have not been used; and 859 were identified, with a preparation cost of nearly 16 billion pesos, and a heavy concentration in the infrastrucural sectors."

He added: "During 1983-86, FONADE (to eliminate this distortion) will finance studies costing approximately 18 billion pesos, to fully meet its responsibility for providing the country with the foundations of its future development."

According to the plan's projections, the current revenues of the administration during the 4-year period will be 1.640 trillion pesos, of which sum 576 billion will come from direct taxes, 1.16 trillion from indirect taxes and 48 billion from non-tax sources.

A total of 750 billion pesos will be spent on operations, of which amount 388 billion will be for administration, 304 billion for debt service (interest payments) and 58 billion for other purposes.

The draft national budget for 1984 calls for appropriations of 262 billion pesos for operations. Despite the austerity announced by the government, it is planned to increase this spending in the subsequent years, owing to the effect of inflation and because the state is the country's leading employer.

According to the official calculations, the government's own savings of 890 billion pesos will be left, of which 52 percent will go for financing departmental and municipal costs due to transfers for education and health and the distribution of the amounts collected in sales taxes.

A total of 48 percent will remain available for the central administration's agencies.

The 1.589 trillion investment includes 430 billion pesos of national savings, 173 billion of savings of the decentralized sector and 564 billion in foreign credit as well as 429 billion in domestic credit.

It is the government's intention to raise the annual increment in public investment to 7 percent, and to reduce the fiscal deficit from 3.5 to 1.8 percent of the gross domestic product.

The financing of the plan is based on the assumption that there will be more savings, more capital formation, a streamlining of spending and the use of hard currency, and elimination of the duplication of functions and responsibilities among government entities.

It also gives an impetus to the regional planning councils for administrative decentralization, relying on the community's participation; and it encourages investment in intensive employment projects and in consumption of domestic goods.

A basic point is the establishment of rates for public services, which will be progressive, taxing those with greater income. "The public service rates in the different regions will be unified."

The policy of taxation, spending and rates will direct more funds for investment, to avoid concentration of foreign debt commitments.

#### Goals of the Plan

The table of goals opens with the intention of achieving a change with equity, reactivation with price stability, and orientation of savings to create new wealth with reorganization of the financial and capital formation activity.

The construction of low-cost housing as a driving force for recovery and for the multiplication of employment, protection of native labor and production; more support for the agricultural-livestock supply, decentralization of the national health system; expansion of educational opportunities; and equitable development of the regions complete the goals.

Beltz Peralta expressed confidence that the international banks would back Colombia's investment programs and he admitted that potential time-lags in the revenues called for to execute the "Change With Equity" plan could be adjusted without major problems. His office made the following summary of the plan:

## Agricultural-Livestock Policy

- It is intended: to produce more food; to generate more hard currency from agricultural-livestock production; to raise the living standard of the farming population.
- The agricultural-livestock sector will be reactivated until it reaches a growth of 4 percent per year during the 4-year interval.
- There will be an impetus for exports, to make them increase at annual rates in excess of 10 percent.
- Three major factors will be combined: increased production, cost reductions and dynamization of the demand.
- To improve the farmers' living standard priority will be given to the DRI [Integrated Rural Development Program] and PAN [National Food Program], and to the Rehabilitation Plan in areas hit by violence.
- The research and transfer will be improved and, for this purpose, ICA [Colombian Agricultural-Livestock Institute] will be reformed. The investment in agricultural-livestock research will increase annually at a real rate of 15 percent.
- The present Himat irrigation districts will be rehabilitated and supplemented, so as to put 188,000 hectares in full production.
- Five new irrigation districts will be built to take advantage of 99,000 additional hectares.
- Low taxes will be maintained for imported input, and selective protection will be given to the domestic production thereof.
- The Transportation Financing Corporation will create a line of credit for automotive equipment to be used to transport products.
- Support will be provided for the construction of supply centers.
- A flexible CAT [Tax Credit Certificate] will be established by way of a support fund for exports. PROEXPO [Export Promotion Fund] will increase its credit capacity.

## Industrial Policy

- The manufacturing industry has lost dynamism since the 1960's. This necessitates making a restatement of the industrial policy.
- The short-term strategy is to reactivate industry and seek a rapid increase in employment. In the first place, it will be aimed at recovering the domestic market.
- Three major goals have been established: to recover the domestic market, to replace imports and to increase exports.

- An unyielding policy will be undertaken to battle smuggling, for the purpose of protecting native production.
- The demand will be redirected toward Colombian products, both with regard to the purchases made by the government and those made by the private sector.
- Over the short term, there will be an expansion of the construction industry, based on its capacity to consume cement, clay, tile, porcelain, metal, wood, glass and plastic products, as well as others.
- The plan is intended to improve relations between industry and agriculture: so that the former will consume what the latter produces, and vice versa.
- An attempt will be made to refinance financial liabilities and to reduce the cost of business firm debts.
- Risks and uncertainties will be reduced for business owners: There will be clear-cut ground rules in the fiscal, monetary and exchange areas; the inflation rate will be cut; and the "development contracting" model will be extended.

#### Housing Policy

- During the period 1983-86, about 442,000 solutions will be undertaken: 400,000 in the urban sector and 42,000 in the rural sector. That will mean special attention to the sectors' needs.
- An essential attempt will be made to bring about a considerable increase in the low-cost housing supply. Extensive credit to the user will guarantee the conversion of potential demand into actual demand.
- There will be a flow of credit for producing construction materials and prefabricated elements.
- There will be encouragement for the creation of material collection centers, to help reduce the prices thereof, and self-construction will become a fundamental support for the general strategy.

#### Mining

- The sectorial planning mechanisms will be strengthened by conducting the National Mining Study.
- Special priority will be given to the various projects in the mining preliminary and feasibility phases, such as the Mocoa copper mining, the basic metals in the southern part of the country, the industrialization of phosphoric rock and the gold operations in Marmato and in the department of Choco.

#### Oil

- A financial mechanism will be created that will guarantee direct exploratory work by the Colombian state.

- In the association contracts, ECOPETROL [Colombian Petroleum Enterprise] will have greater participation in supervising the investments.
- The current oil price structure will be maintained as an incentive for increasing native crude production.
- The drilling of wells will be intensified, both in the associated operations and the areas controlled directly by ECOPETROL.
- During the period 1983-86, it will be necessary to continue importing crude. To load the refineries in 1983, 65.8 million barrels will be required, and in 1986, 76.5 million barrels will be needed.
- It will also be necessary to continue importing gasoline, but in lesser amounts: 6.0 million barrels in 1983, and 584,000 barrels in 1984. By 1986, it will be unnecessary to import gasoline.

#### Gas

- The replacement of gas with coal on the Atlantic coast will be accelerated.
- A study will be made of the feasibility of establishing an ammonia and urea producing plant to utilize the gas surpluses on the Atlantic coast.

#### Coal

- Exploration for coal will be stressed in the departments of Cundinamarca, Antioquia, Norte de Santander, Valle, Cesar, Cordoba, Bolivar, Sucre and Guajira.
- An effort will be made to export as much coal as possible, and an impetus will be given for the replacement of hydrocarbons with coal in the electrical, industrial and residential sectors.
- In all the coal projects, the participation of native engineering and industry will be taken into consideration.

#### Electric Power

- A total of 450 billion pesos will be invested. The electrical sector will be reorganized, and its financial solutions will be proposed as part of a national context.
- A rate policy will be set aimed at increasing the internal generation of funds in real terms.
- Work will be done on the construction of 21 power generation projects which should go into production between 1983 and 1995.

#### Highways

- The recovery of 1,500 kilometers of sections of roads to connect production centers with consumption centers has been scheduled. There will be rectification and paving

of a total of 1,500 kilometers of secondary roads, and 2,400 kilometers of new roads will be built.

- Emphasis will be placed on the roads connecting the border zones: Medellin-Turbo; Monteria-Guapi, Puerto Triunfo-Puerto Araujo, Puerto Araujo-Lalizama, Mocoa-Pitalito; Sogamoso-Yopal, Guadalupe-Florencia, Socha-Sacama-Tame, Pamplona-Saravena-Arauca, Mocoa-Villagarzon-Rio San Miguel; Augadora-Aguazul-Yopal, Tame-Fortul, Puerto Gaitan-Puerto Carreno, Puerto Lleras-San Jose del Guaviare, Pasto-Tumaco, Santa Cecilia-Tado-Rio Baudo-Rio Pato-Nuqui-Bahia Solano.

- The national highway system will be supplemented by the following projects: Chiquinquirá-Barbosa, Belén-Capitanajo, Malaga-La Lejia, Covenas-Tolu, Armenia-La Paila, Chinchina-La Felisa.

- Work will be done on the new Bogota-Villavicencio, Medellin-Valle del Oriente and Bogota-Buenaventura projects.

#### Telecommunications

- The country's local telephone system will be expanded by 981,000 lines.
- Telegraph service will be doubled (2,250 lines), and the telex capacity will also be doubled (12,230 lines).
- Telecommunications service will be installed in 220 towns under superintendent and commissioner jurisdiction.
- A rural community telecommunications project will be carried out to serve 18 percent of the country's rural population.
- The telecommunications service will be improved in 227 municipalities of 16 departments.
- A total of 12,000 communal postal positions will be established, and mail and remittance service will be created in 700 municipalities.

#### Airports

- A total of 28 airports will be built in border zones and 14 more in towns under superintendent and commissioner jurisdiction.
- Navigation aids will be set up on 30 more airports, and a radar system will be installed for eastern Colombia.

#### Tourism

- Incentives will be given for incoming tourism and both domestic and social tourism; the former as an element to generate hard currency and employment, hoping that it will eventually account for at least 10 percent of the current revenues in the exchange balance, and the latter with the goal of attaining a coverage level of about 20 percent of the Colombian population by 1985.

- A tourist information and market research system will be created. Mechanisms will be established for tourist promotion, publicity and information, both inside and outside of the country.
- In the interior sections, there will be encouragement for tourist activity in areas with slow socioeconomic development; border tourism will be promoted, as will the development of five major routes: Southwestern, Amazonia, Eastern Plains, Northeast and Caribbean.
- With PROEXPO financing, a "Plan for Promotion of Colombia Abroad" will be executed, and the immigration procedures will be updated and speeded.

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CSO: 3348/608

## TREASURY FUND SHORTAGE, BUDGET DEFICIT DISCUSSED

Bogota EL TIEMPO in Spanish 28 Jul 83 pp 1-A, 15-C

[Text] The General Controller's Office of the Republic revealed that at the end of the first 6 months of this year, the National Treasury had 109 million pesos to meet immediate payment requirements of 31.796 billion.

On the same date, the national budget had a deficit of 43.604 million pesos, which poses a difficult problem for the central government.

Controller Rodolfo Gonzalez Garcia stated that these figures were included in the report to President Belisario Betancur, and indicated that the analysis refers to the 329 billion peso budget approved by Congress for this fiscal year.

Gonzalez Garcia, in statements to Caracol, warned that, taking into consideration that traditionally this budget is expanded as it is implemented, by the end of the year the appropriation deficit could reach 103 million pesos.

"The projected deficit could be partly eliminated thanks to the recent move authorizing the government to raise its credit quota with the Bank of the Republic, the concession of a special economic reactivation quota, and the issuance of National Savings Bonds (TAN)," said Gonzalez Garcia.

He added that the undervaluing of the government's figures in its draft budgets is rising this year, and added that by the end of the first 6 months of the year spending authorizations had reached 159.615 million pesos, compared to net revenues of 116 million, yielding the aforementioned deficit of 43.604 million pesos.

As for the treasury deficit, Controller Gonzalez Garcia noted that the recorded shortfall of 31.796 billion pesos does not include the 22 billion pesos of ordinary credit quota with the Bank of the Republic, which the government has already received. Under budgetary law, these funds must be paid back during the same fiscal year that they are spent.

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CSO: 3348/609

## PIB GROWTH DURING 1983 PROJECTED TO APPROXIMATELY 2 PERCENT

Bogota EL TIEMPO in Spanish 23 Jul 83 pp 1-A, 17-D

[Text] The Gross Domestic Product (GDP) will grow by 2 percent in 1983, calculated National Planning yesterday, while the value of industrial production dropped 4.7 percent in March.

Hydrocarbons imports rose by 27 percent as of March; machinery and equipment imports for industry (mining, basically) grew by 20 percent as of June.

Agricultural and livestock production will have grown by 2 percent, according to Planning's projections. That office released the latest indicators on the performance of the national economy and its prospects for the second half of the year:

Gross Domestic Product: The economic reactivation process is expected to be reflected more dramatically in the second 6 months of the year, and the GDP growth for 1983 is projected to fluctuate around 2 percent.

Increases in the agriculture sector, with the exception of rice, in the consumption of electrical energy and in the area of construction permits, all seem to point in this direction as well.

Agriculture: Planning notes that "some signs give reason to expect a substantial recovery—in agricultural production—in the harvest for the second half of the year, and therefore the real value of agricultural production could rise by 2 percent in 1983.

"As of 31 May 1983 the Agricultural Finance Fund had approved credits of 10,702 billion pesos for financing transitory crops, equivalent to a 37.9 percent growth over last year."

Planning adds that "due to increases in poultry (2.5 percent as of February) and the sacrifice of pig stocks (5.3 percent as of February), it is expected that livestock production will have increased by 2.4 percent in 1983. As a consequence, the real value of agricultural production is expected to rise by a similar amount—2.3 percent—this year."

Industrial Sector: "The real value of industrial production," notes the Planning report, "as of March 1983, shows a decline of 4.7 percent compared to last year.

"Despite this negative behavior, several indicators point to the possibility of obtaining a slight reactivation in the second half.

"The consumption of electrical energy for industrial use rose by 35.2 percent, from 927.1 million kwh from January to April 1982, to 1,253 million kwh during the same period of 1983.

"On the other hand, development credit channeled through the Industrial Finance Fund, the Private Investment Fund, the Popular Finance Corporation and the Institute for Industrial Development, grew by 35.4 percent, from 7.058 billion between January and May 1982, to 9.555 billion during the same period of 1983.

"There is also a clear desire to invest in the sector, as proven by the 20 percent increase in authorizations to import machinery and equipment on general licenses, which grew from 43.5 billion pesos between January and June 1982, to 52.5 billion during the same period of 1983.

"Most of the increase is due to the decision to invest in the sector of non-metallic mineral products, that is, in the areas related to construction and housing."

Construction: Regarding this sector, the National Planning report states, "Urban building permits authorized in 10 cities in 1983 showed a 15.8 percent rise compared to the January-May period of 1982.

"The largest increase was in non-housing buildings (housing construction grew by 11.1 percent), although the trend of the immediately preceding months is apparently accelerating.

"The gross amount of deposits in savings and loan corporations reached 226,708 billion pesos in May, which means a 32 percent increase since December 1982, and a 47.2 percent increase since the same month a year ago.

"Concerning investments, the portfolio totaled 183,968 billion pesos in May, an increase of 33.3 percent over the figure for the same date of the previous year."

Fuel Imports: "In the first 3 months of the year, crude imports rose by 27 percent over the previous year, going from 2.273 million barrels to 2.898 million.

"Gasoline imports experienced a substantial increase, from 2.096 million barrels in the first 3 months of 1982 to 2.728 million during the same period of this year (30 percent)."

Fuel Exports: "In volume, fuel oil exports in the first 3 months of 1983 showed an increase of 28 percent. This increase represents additional revenues of \$12.6 million."

Savings: "Financial savings in the country reached a total of 647.452 billion pesos as of 25 June 1983, which represents an equivalent annual growth of 34.3 percent over 1982.

"So far this year transferable financial savings have climbed from 498.237 billion pesos on 31 December 1982 to 596.766 billion as of 25 June 1983, a 19.5 percent growth."

Prices: "During the first half of this year the consumer price index—weighted national total—reached a growth rate of 11.28 percent, leaving room to expect that it will achieve the goal set for 1983, 20 percent."

Exchange Situation: "Exchange transactions as of 17 June resulted in a decline of foreign reserves in the order of \$847 million, leaving a level of \$4.047 billion."

Coffee: "Payments for coffee exports according to the balance of international payments reached \$688.3 million on 17 June of this year, 6.9 percent higher than the figure for the same date last year."

#### Credit for Industrial Sector

Yesterday the government reported that during the first half of 1983, it granted loans for 5.245 billion pesos for the reactivation and recovery of the country's industrial sector.

The loans were extended by the Industrial Development Institute (IFI), and represented an increase of 1.835 billion pesos, or 54 percent, over the same period of 1982.

Ninety-nine percent of the credits approved by the Institute were used to finance the manufacturing industry, with the textile sector receiving the most (1.281 billion).

The metal products sector obtained loans totaling 1.079 billion pesos; basic metal industries, 718 million; food, 684 million; chemicals, 420 million; and other sectors, 883 million.

During the first 6 months refinancing transactions totaling 893 million pesos were also approved, as were quotas for opening credit card accounts in dollars, totaling US \$4.3 million. This represents a 72 percent increase over the same period of 1982.

Of the total amount of credit extended by the IFI in the first 6 months, 85 percent (4.45 billion) was used for working capital in the manufacturing sector, and the remaining 15 percent went to purchase machinery, equipment and other fixed investments such as constructions, assembly and services.

8926

CSO: 3348/609

## CSTC URGES ESTABLISHMENT OF UNITED CENTRAL ORGANIZATION OF WORKERS

Bogota EL ESPECTADOR in Spanish 23 Jul 83 Sec A p 29

[Text] Nearly 2,000 trade union representatives gathered for the Fourth National Congress of CSTC [Trade Union Confederation of Colombian Workers] agreed on a series of mechanisms for establishing a united, majority, central organization of workers in the country.

The members of the different branches of industry affiliated with CSTC were of the opinion that the only possibility for the Colombian working class to have a really constructive and not bureaucratic presence is through the unification of the various workers' organizations.

They made a distinction between a "single" and a "united" central organization of workers; because the first option is "impossible in Colombia, owing to the various divisions within the labor movement."

The CSTC press secretary, Miguel Antonio Caro, expressed real surprise at the excellent reception given by the participants to the proposal and decision to set up that central organization of workers.

He said that 500 attendees at the congress who are not members of CSTC but rather of the independent trade union movement and of the UTC [Union of Colombian Workers], CGT [General Confederation of Labor] and CTC [Confederation of Colombian Workers], voiced their support and backing for the proposal.

The Fourth Congress of CSTC, which ends tomorrow at the Government Employees Club, has had the participation of foreign delegates from 26 countries and of world and Latin American labor organizations.

#### The Proposal

One of the main conclusions resulting from the congress was: "We are willing to dissolve CSTC to make way for the establishment of the united and extensive central organization of Colombian workers."

The establishment of the new central organization, the process for which was formally started during this congress, which convened from 20 to 24 July, will culminate in a National Trade Union Forum planned for the middle of next year, at which the constituent assembly for the new confederation will be held.

The statement of principles of the Fourth Congress of CSTC declares: "CSTC puts forth this proposal in a candid, sincere manner, convinced that the large and small forces are important to this process, and that its materialization will encourage other similar unifying initiatives, and will help to allow the trade unions to really count in the major events being experienced by the country, contributing to the organizational unity of Colombian workers through a single central organization of workers."

This document also specifies the features of the new entity, namely: "united," because it will strive for the establishment of a single central organization of workers and will include the unions of all sectors of industry; "classist," because it will defend the interests of the workers, farmers and Indians; "democratic," because it will consult on and discuss its decisions at all times with the workers; "pluralistic," because all types of ideological and political thinking will be covered in its leadership and its rank and file; and "internationalist," because it will have a definite position of friendship with the international labor movement as a whole.

#### Criticism of the Government

The participants in the Fourth Congress of CSTC made serious criticism of the government, stating that it is the first administration to set a wage ceiling for increments based on 25 percent.

They rejected the administration's policy for economic reactivation, claiming that, between the previous governments and this one, "there has only been a change in style, but not in proposals."

They backed the action of President Betancur with regard to his position on international policy and the approval of the Amnesty Law.

They noted that the present executive branch's labor policy is not fundamentally different from that of previous administrations, and they reiterated their criticism of the position of "unloading the country's economic and financial crisis on the backs of the workers."

2909

CSO: 3348/608

## 'NEPTUNE PLAN' DESIGNED TO MODERNIZE NAVY DISCUSSED

Bogota EL ESPECTADOR in Spanish 25 Jul 83 Sec A p 15

[Text] In what has been called the "Neptune Plan" to modernize the National Navy, Colombia will purchase an undetermined number of "Exocet" missiles, four German corvettes and three coast guard units of United States manufacture, and will establish a new naval base in the department of La Guajira.

The projects also include the implementation of naval aviation, through the purchase of helicopters and small planes.

With regard to the "Neptune Plan," for which there are funds appropriated in the national budget amounting to over 300 million pesos, the commander of the Navy, Adm Hector Calderon Salazar, in statements made for the Caracol network's institutional program, said that plans have been made for "construction of four modern corvettes in Europe and for everything associated with these vessels."

The high-ranking official commented: "Therefore, we must create an infrastructure consisting of maintenance shops for the surface-to-surface and the surface-to-air missiles or projectiles with a range of from 50 to 80 kilometers."

When asked about the site selected for establishing this infrastructure, Calderon Salazar noted that it would be located in the continental area of the Atlantic coast, but "for obvious reasons I cannot tell you the exact sites."

## Coast Guard Vessels

The coast guard vessels, weighing almost 300 tons, will arrive in the country in 3 weeks, and will be christened "Castillo y Rada," "Albuquerque," and "Quitassueno."

The Navy commander claimed that, in view of the fact that the Bahia Portete area has a large concentration of national wealth, such as national exporting and the electrical, gas and salt resources of Manaure, the Navy has found it necessary to protect the area with a huge base.

When the issue of the sovereignty currently being exercised over the San Andres archipelago was brought up, he said that constant inspection is being maintained by means of air and sea facilities, and that "we have a marine detachment on each one of the keys."

In conclusion, he expressed the opinion that the creation of a Ministry of the Sea would consolidate the efforts of many agencies associated with this field; and, on the other hand, he announced that, in less than 5 months, the entry of the first women into the National Navy would be allowed.

2909

CSO: 3348/608

## COMMENTARY CLAIMS U.S. TELEVISION COMMERCIALS USED FOR 'WARMONGERING'

Havana GRANMA in Spanish 1 Jul 83 p 6

[Commentary by Juan Marrero]

[Text] Almost 35 years ago, on hearing the siren of a fire engine one night, the then head of the Pentagon, James Forrestal, leapt from his bed and ran into the street in pajamas shouting that the bolsheviks were invading the United States. This action was nothing other than a consequence of the cold war launched in those years. Forrestal, one of the promoters of that policy, went out of his mind, but until the moment when he was seen running through the streets shouting "The Russians are coming," no one had noticed. But the lesson was not learned. Today we see how the government leaders in the White House are taking steps toward resuming the cold war again. The old slogans about "pushing back the tide of communism" are returning. A vivid reflection of this is seen in the fact that the Reagan administration has begun to use television to show commercials which seek, by means of lies and the poisoning of public opinion in America, to establish a consensus for the pursuit of its warmongering, aggressive and adventuristic policy. Along with the advertising of soaps, perfumes, cigarettes, soft drinks, clothing and domestic appliances, the sale of typical war propaganda has begun again. It has begun in Michigan and North Carolina and, from all reports, plans call for spreading it to all of the United States. A 2-minute commercial on El Salvador shows scenes of guerrilla struggle, while a deep voice says: "While you are watching this message, terrorists trained and armed by Cuba, with the support of the Soviet Union, are attacking our neighbors in Central America. Their goal is to establish communist regimes in Central America and to surround and isolate the United States." Several times a day this commercial is repeated. In addition, it gives a telephone number so that viewers can make it known that they support the pursuit of a more drastic policy by Reagan in Central America in order to win "a total victory over communism," because "the security of the United States" is threatened. In other words, by means of this commercial announcement, promoted by the so-called Council for Inter-American Security, an atmosphere of warmongering hysteria and fear of Cuba, the USSR and the national liberation movements is promoted, on the one hand, while on the other, an attempt is being made to create a belief that "the poor United States" is threatened by the small Central American and Caribbean countries struggling for their independence and national liberation. In addition, coinciding fully with Reagan's public thinking, clearly set forth in a press conference, during which he answered that a president cannot commit himself to saying that the U.S. armed forces will "never" be used in Central America

or the Caribbean, the televised propaganda campaign attempts to get the American public to indicate approval of military intervention in El Salvador. Another commercial of similar nature protests against the nuclear freeze and criticizes the U.S. congressmen who have come out in favor of peace, charging that "they are taking the side of the Soviets." These are clear indications that the times in which we live are very difficult and are fraught with great dangers. One such danger may be that their very inventors may come to believe the lies and slander. These are also the same people who have the power to decide what venture may be made and even to order the nuclear button pressed. The danger is much greater today than in the era in which Forrestal lived and went mad.

5157

CSO: 3248/1123

## THOUGH PRICES HIGH, BUYERS FLOCK TO STORES IN HAVANA

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 3 Jul 83 p 13

[Article by Eric Nepomuceno: "In Spite of Prices, Buyers Flock to Cuban Stores"]

[Text] Havana--They arrive at around 11:30 am, and stroll around, like someone hiding something. At 11:45, they discreetly begin to form lines. At noon, there is no longer any hiding whatsoever: they are all in distinct and orderly lines, and the calmest sit down on the pavement, leaving room for the boldest, the novices, or the uncertain ones to look in the windows. Finally at 12:30--the doors open, and they all rush in, keeping the order of the line as best they can, and head for the shelves in sheer ecstasy.

The line phenomenon is repeated obsessively. You can't get away from it. For the stores, it goes on from 12:20 to 7:00 pm, Monday through Saturday, in the section of central Havana known as "Los Bulevares." A mysterious little detail, the lines. You can buy anything, in quantities depending solely upon how much money you have in your wallet, at exorbitant prices.

Between 12:30 and 7:00 pm. Why, then, form lines? Some say it's a question of habit. Others talk about the traumas that hang on from the times when everything was gone too quickly. The rest say it's a problem with schedules: they use their lunch hour to shop.

However, it is still curious to see the number of people who can pay the asking price, or who order from the Cuban stores the products they offer. A bottle of "Privilege" perfume costs 15 pesos (15,000 cruzeiros), in spite of its frankly questionable appearance. A small container of cigarette lighter fluid, made in Japan, costs 10 Cuban pesos (10,000 cruzeiros), and shirts cost anywhere between 45,000 and the bewildering price of 120,000 cruzeiros. Curiously, the longest lines form in front of shoe stores.

On the "Guari," the corner of San Rafael and Consulado streets, unending lines prove that that is the buyers' preferred spot. And there you find prices which would humble most of the specialty shops on Fifth Avenue in New York. For example, "Popis," a local version of Adidas tennis shoes, cost 105 pesos (105,000 cruzeiros) when they are made of canvas, and 130 when they are made of chamois leather. The pair, not the dozen. The cheapest shoes cost another

105,000 cruzeiros, but some models cost 180,000. Old Texan style cowboy boots are worth 300,000 cruzeiros. And worse: enormous amounts of all of this are sold, every day.

In Cuba, it's almost never cold. In winter in Havana, the thermometer rarely drops below 15° Centigrade. Perhaps this accounts for the short supply of sweaters. Their prices: between 60,000 and 100,000 cruzeiros. If you really look hard, you can find something a little more expensive. Locally made jeans have a fixed price: 70,000 cruzeiros. White pants are in style and cost more: 95,000 cruzeiros.

#### Electrical Home Appliances

However, Cuban consumerism does not live by clothing alone. The big department stores show a tremendous variety of appliances, and their windows too merit the constant presence of ecstatic faces looking in from outside. One of the secret dreams of any Cuban is to have an air conditioner, an understandable enough dream in the air of the Caribbean. The price, though, one would think would freeze any intentions: 1.4 million cruzeiros. But not so: with interest free loans extending to 3 years, each summer the number of Cubans showing off the possible dream in their homes increases.

A freezer costs 2 million cruzeiros. Translated into U.S. dollars (\$2,400), this is probably a world record. A black and white TV receiver costs about 650,000 cruzeiros, but this doesn't make anybody happy anymore; you have to have one in color, at 1.35 million cruzeiros. Sunday nights, a very popular program, "9,550," is shown in color. This is a program based on the old "The Sky's the Limit" concept: sharp young people or circumspect gentlemen answer questions on various subjects. The prizes go from weekend trips around the island's beaches to the maximum: a 2-week trip for two to no less than Moscow (whence the program's name: the distance between Havana and Moscow is 9,550 kilometers). Popular enough to compete, in other latitudes of the continent, with trips to Disneyworld, Florida.

This Caribbean summer, in spite of all the back to back crises in the four corners of the world, the Cubans are buying as if there were no limits. Since somewhat over a year and a half ago, when local authorities began, first by trickles and then by spurts, to flood the old downtown stores, shopping has become a very popular sport in Cuba. One of the major centers of attraction is called "Galiana Novelties," an old four-story building crammed with anything that can be sold, and where once, many years ago, there operated a store called Sears, Roebuck, Inc.

Many stores in the "boulevards section" have been visibly revamped. This happened, for example, to one more shoe store on San Rafael Street--a discreet shoe store, with less competition. On its facade, impressed in the concrete, the old logo still remains: "RCA Victor Records," which haven't been seen on the island since 1960.

## Money Surplus

All of this occurring in Cuba this summer has a logical explanation. The local authorities have found a way around a problem which, at least since 1976, has been becoming more and more serious: the tremendous local monetary surplus. Each Cuban was a millionaire who had nothing to do with his money. His basic social structure was assured--schools, hospitals, food, transportation, a house, services--either free or at nominal cost, because of fabulous subsidies. Thus people were able to become very thrifty, but were not able to put their thrift to use. Since that time, deep-seated reforms have been applied to the Cuban system, opening the way for private craftsmen--tailors, shoemakers, seamstresses, candymakers, key makers, and finally the state opened several stores which slowly increased their stocks. Today in Cuba you can buy anything, food and clothing, shoes and home electric appliances, at prices which would make any Christian shudder. The Cubans complain, but they pay. But consumerism in America's first socialist country does not, finally, live by clothing, shoes and home electrical appliances alone. There are sightseeing trips around the island or to the countries of Socialist Europe, there are stores that sell Yugoslavian, Bulgarian or Romanian delicatessen items, and Albanian fruit jellies are considered, with just reason, one of the marvels of the local market. But there still exists one problem which as yet the revolution has been unable to solve: in spite of all this commercial liberality, a strong black market still survives. One dollar is worth 3 to 5 pesos (official exchange rate: 82 cents to the Cuban peso). A pair of Lee jeans is worth 200 pesos, or 200,000 cruzeiros, or seven times what it is worth in the United States. Cuba has succeeded in producing what might even be called consumerism fever. But it has not succeeded in ending black market fever, whose virus was brought in, many years ago, by technicians from Socialist countries: they discovered that their few dollars could be transformed into a great many pesos. All they had to do was take dollars into the exclusive tourist shops, buy whatever item, and sell it in the street for 10 or 15 times its worth. To compete with this unfair supply, Cuba hopes to stamp out the black market by using a basic law of capitalism: increase supply to such a degree, subsidizing prices if necessary, as to end competition.

9927

CSO: 3242/4

## SEYCHELLES MINISTER DESCRIBES BILATERAL COOPERATION

Havana PRISMA LATINOAMERICANO in Spanish Jun 83 p 26

[Report on interview with Republic of Seychelles Minister for National Development Jacques Hodoul by Victor M. Carriba; date and place not given]

[Text] Known until just a few years ago solely as a tourist paradise in the Indian Ocean for the delight of vacationers from Western Europe, the Seychelles Islands have now taken on new political values, placing this small country among the progressive nations in the region of the Indian Ocean and the African continent.

The Republic of Seychelles, a former British colony, is an archipelago made up of 33 islands, and it is regarded as a bulwark of the more progressive forces in this zone. As a result, it has been faced with serious direct actions on the part of the South African racists, who have tried to hinder the economic and social development plans undertaken by this young state located off the African coast.

The Republic of Seychelles is currently engaged in a political process with international repercussions imposing specific characteristics on the development of its economy. This process relies on the aid and cooperation of countries such as Cuba.

"We want this collaboration (between the Seychelles and Cuba) to be exemplary," Jacques Hodoul, minister for national development of this African country, recently stated in Havana, during a ceremony held for the signing of a cooperation protocol which will considerably expand the steps taken earlier in this type of bilateral relations.

"For us, cooperation with Cuba is different. Cuba is a country like ours, one struggling for its economic liberation and one which has adopted socialism as the path of development. All of this creates an atmosphere favorable to mutually advantageous bilateral cooperation," Hodoul said in an interview granted to PRISMA LATINOAMERICANO.

The two island nations established diplomatic relations in April of 1978, and as of 1980, they began to establish closer cooperative links with the dispatch of Cuban technicians and experts in the fields of public health, agriculture and education to the distant islands in the Indian Ocean.

The exchanges of delegations became ever more numerous, until last January, Juan Almeida Bosque, a member of the Political Bureau of the Communist Party of Cuba and vice president of the Council of State paid a visit to the Seychelles.

For a number of years until last November, Hodoul was the foreign minister of the Republic of Seychelles. We met him in that capacity at one of the numerous conferences of the Organization of African Unity (OAU).

A man of considerable experience in this important field of diplomacy and international relations, Hodoul is well aware of the reality in the economic and social development of Cuba, a country which he has visited on three occasions, and with which "there are conditions favorable to increased collaboration."

The signing of agreements, conventions and protocols provided the juridical framework for the implementation of the desire of the two countries to collaborate, and work is currently being done to intensify the exchange.

"The results of the most recent bilateral talks show this. We will increase trade and the number of scholarship students sent from the Seychelles to study at Cuban institutions," he emphasized.

He then went on to recall that the young people who will travel to Cuba will be added to the list of students from that African country who have already taken courses in various technical specialties.

The minister for national development of the Republic of Seychelles told PRISMA LATINOAMERICANO that the number of Cuban experts working in that African country will be doubled this year. "This will also involve an expansion of the spheres in which Cuba will provide us with technical aid."

One of the main aspects of this assistance results from the interest expressed by the Republic of Seychelles in introducing the Cuban "Sandino" construction system for prefabricated buildings in that country, with a view to working toward the solution of the housing problem.

Aid will also be provided in the building of small industries, as well as the production of matches, craft articles and other products.

The minister expressed his country's desire to reach an agreement with the Cubans in the livestock sector. "Cuba is a leader in this field in the so-called Third World, and we want to benefit from its experience in the development of this important economic branch."

The cooperation documents recently signed also covered the scientific research, radio, television, press and cultural sectors, as fields in which Cuba will provide aid.

In many of these fields it is a question of technicians to be sent to the Seychelles; and in others, for example television, an exchange of programs and documentation and direct professional advice by producers are also included.

"We greatly appreciate all the sacrifices the Cubans are prepared to make with a view to the economic development of the Seychelles," Hodoul stressed, "as well as the way in which they make their advances and their development available to us."

5157

CSO: 3248/1123

## FLAVIO BRAVO DISCUSSES SIGNIFICANCE OF CARACAS CONFERENCE

Havana BOHEMIA in Spanish No 28, 15 Jul 83 pp 62-63

[Interview with Flavio Bravo Pardo, president of the National Assembly of the Peoples Government, by Pedro Rioseco Lopez-Trigo, in Havana; date not given]

[Text] Two centuries after his birth, and in the same city where he first opened his eyes and later began his extraordinary political career, the ideas of the Liberator took on weight and influence at a singular gathering in which some 3,500 representatives of our America participated, for the purpose of stressing the importance of the thinking of Bolivar in the overall political-economic situation facing the nations in the region in view of the practical consummation of what Bolivar anticipated when he said that "the United States would seem destined by fate to plague America with poverty in the name of freedom."

The Congress on Latin American Political Thought, convoked by the Venezuelan Parliament as a part of the activities scheduled to commemorate the bicentennial of the birth of Simon Bolivar, which ended just recently, was attended by a Cuban delegation headed by Flavio Bravo Pardo, the highest official of our parliamentary institution and a member of the Council of State and the Central Committee of our party. In his offices at the National Assembly of the Peoples Government, the president of the delegation and some of its members met with us to provide further details about this important forum which, despite the political and ideological differences among the individuals and countries participating, was able to approve a firmly anti-imperialist and pro-Latin American declaration.

"The congress recently held in Caracas was, in our view, an extraordinary event in terms of its importance and significance. It was not important just because it rendered great homage to Simon Bolivar on the bicentennial anniversary of his birth, but because of the time in which it was held, a time in which humanity, and Latin America in particular, are experiencing crucial moments. Despite the heterogeneous character of the participants, the differences among them and the brutal pressure being exerted by the imperialists upon all of the Latin American countries with a view to subjecting us and forcing us to make new concessions, the congress adopted highly positive resolutions, in line with the Bolivarian concept of Latin Americanism, and opposed to the pro-imperialist concept of pan-Americanism.

"In Caracas, subjects which are most contemporary and highly pertinent to our region were taken up," Flavio Bravo went on to say. "The countries involved in boundary disputes were exhorted to channel their discussions peacefully, so that the principle according to which it is the Central American nations themselves which must resolve their own conflicts for themselves will be reaffirmed. In this connection, the efforts being made by the Contadora group were supported, and its members were urged to persevere in them until the goals which led to its establishment are achieved.

"In another of its sections, the document approved condemns the imperialist attack on the Falkland Islands and the existence of foreign military bases in Latin America, including, of course, condemnation of the U.S. base at Guantanamo. The document also rejects the forms of colonialism and neocolonialism which still survive on our continent, proclaiming the right of Puerto Rico to its independence, as well as demanding due respect for the agreements of the Torrijos-Carter Treaty on the Panama Canal, which the United States is violating daily.

"The above gives some idea of the tremendous importance of this event, the basic ideas of which were set forth in the final document entitled the "Caracas Bolivar Declaration." It is important to stress the role played by Dr Ramon J. Velazquez in the successful holding of the congress, as its president. Senator Velazquez is a most outstanding leader in Venezuelan politics and culture, and he presided brilliantly over the event. The congress was inaugurated by the president of the Republic of Venezuela, Dr Luis Herrer Campins, and we can say that among the 750 foreign guests, there were nine former Latin American presidents and a very substantial group of most outstanding cultural leaders in our America.

"The agenda for discussion included five main points. The first was nationalism, Latin Americanism and universalism in Latin American political thought: the problem of national and regional identity and the tensions between the universal and the particular aspects." The second theme was "the problem of political and social disintegration and integration and efforts to resolve it." The third theme was "the thinking of the main presidential candidates in Venezuela today." This subject was discussed by the four presidential candidates running in the coming Venezuelan elections, who attended the congress, along with large delegations from all of the political parties in that country. The fourth theme was "the democratic-dictatorial dialectics in Latin American political thinking," and the fifth and final theme was "Latin American thinking in relation to sociopolitical change: conservatism, reform and revolution."

"The discussion of these five aspects, because of their breadth and polemic nature, gave rise to the establishment of numerous working groups. As was to be expected at a gathering as heterogeneous as this, the debate in some of the commissions was difficult and rather disputacious. However, in the end progressive ideas, concepts of unity with regard to the major problems plaguing the world, and Latin America in particular, triumphed.

"The Cuban delegation was made up of a group of esteemed comrades, invited directly by the Venezuelan Congress, who played a very active role. They were Santiago Diaz Paz, director of the Center of Studies on America; Jorge Luis Joa Campos, of the American Department of the Central Committee of the Communist Party of Cuba; Sergio Guerra and Bertha Alvarez, of the University of Havana; Manuel Galich Lopez, of the House of the Americas; Francisco Pi Vidal Padron, secretary of the Cuban Commission on the Bolivar bicentennial, who enjoys great prestige in Venezuela as a researcher on the life and work of the Liberator, and as a historian and professor; and Salvador Morales and Francisco Perez Guzman, representing the Bolivar Commission."

[Question] Having taken time for a break, and considering what has already been said, it seems of interest to contemplate the following. Given the situation of structural crisis affecting all of Latin America due to the present international economic situation, and considering the development which Latin American political thinking has undergone since the war in the Falkland Islands, do you think, Comrade President, that the unification of views which came about in Caracas on some basic points could provide the outline of a common Latin American anti-imperialist and Bolivarian strategy?

[Answer] It is still too soon to draw such conclusions, but there is no doubt that this problem must be studied in great depth, and that this trend draws the attention of all of us. Above all, at the present time, when the imperialists are using the most brutal forms of pressure, economic and financial as well as political, and military threats, including the threat of coups d'etat and internal and external pressure, to force Latin America to pursue the steps leading to the establishment of the so-called "American age" with a Yankee peace which reformulates the ideas set forth by Hitler in his time.

This question is of great interest. What it shows first of all is that the latent rebellion in Latin America was not only to be found in the more humble strata, among the workers and the peasants, but affects the intellectuals, with some exceptions, and even high-ranking politicians, precisely those who cannot be accused of agreeing with our ideology. For the fact is that the brutality of the imperialist policy affects everyone, including the national bourgeoisie, except for that portion linked with the international financial capital interests, which has been dealt serious blows by U.S. policy. It is very interesting to see how these factions unite in support of the basic Latin American ideas of Bolivar and struggle for peace and national independence, in favor of democratic procedures and against U.S. military intervention in Central America and the Caribbean.

Another thing which has attracted our attention is the fact that the subject of socialism is evident everywhere. There are some who attack it, many seek the shelter of its prestige, while others defend it. Nowadays there are many who talk of socialism, precisely because of the prestige it enjoys. This is another interesting aspect.

And the third matter about which there is no doubt either has to do with the tremendous prestige of the Cuban revolution. At this event, there were two

occasions when the problems of Marxism prior to and since the Cuban revolution were broadly discussed. On these points, in reality, the Cuban delegation had no need to persuade. We can state with pride that it was Latin America which defended Cuba, and that the Cubans did not have to defend themselves against the attack of the two or three delegates in the most reactionary faction of the Venezuelan Movement Toward Socialism organization, who were discredited and categorically rebutted by members of their own party.

It is a fact that in the past a deified image of Bolivar was presented, omitting all of his revolutionary aspects, and he was even falsely called the father of pan-Americanism, when in reality he was its most vigorous enemy and the creator of the concept of Latin Americanism, to offset it. When Bolivar spoke of Latin America he said "our America," excluding the other America which threatened ours. For him there were always two Americas, and this was reaffirmed at this congress, at which he was recognized as the father of the great Latin American fatherland. This is very important.

[Question] Mr President, before going on to specific subjects with other members of the Cuban delegation, we would like you to describe the meeting you had with the president of Venezuela, since the Western news agencies have speculated considerably about it. Could you tell us what the result of your talk with Dr Herrera Campins was?

[Answer] The interview with President Luis Herrera Campins was the resumption of a talk we had when he became president of the Republic of Venezuela several years ago. It was a cordial and friendly conversation, in which he expressed his desire to maintain the dialogue with Cuba.

Going on to another subject, I would like to say that the relations between our two countries have now improved, because there have been exchanges of visits by ministers and parliamentarians.

The positions of Cuba and Venezuela at various international forums have coincided. We agreed on the affiliation of that nation with the nonaligned countries. We adopted a similar position in the matter of the Falkland Islands. We expressed our desire to see the boundary dispute that nation had with Guyana resolved by negotiation, in peaceful fashion. There are indeed two most important pending problems. One of them has to do with the Venezuelan Embassy in Cuba, where a group of antisocial individuals who entered that establishment by force have taken refuge.

The other problem is that pertaining to the tremendous pressure, manifested both within and outside of Venezuela, for the release of the assassins who placed the bomb in the Cuban plane in Barbados. Naturally, we maintain our position of hope that the Venezuelan courts will render justice, and that the criminals who perpetrated this monstrous act will be given a sentence consistent with the monstrosity of the crime.

Because of this, the reactionary forces and some press sectors, well-known indeed, which support the assassins, have tried to present a distorted picture, out of evil intent, of our statements, reporting them as if an effort

had been made to exert pressure on the court. Nothing could be further from our intention, in setting forth the opinion of the people of Cuba and voicing the vehement desire for justice of those who have felt such grief and pain on behalf of the victims of the Barbados crime.

[Question] In connection with the resolution on the foreign debt, which is one of the other basic documents approved by the congress, what are the basic points?

Santiago Diaz, director of the CEA, and a member of the delegation, responded.

[Answer] The clauses of this resolution set forth in clear fashion the lack of justice in international economic and financial relations, in the protectionism affecting our country's exports, and in the pressures being exerted by the international banks through the International Monetary Fund, which imposes conditions unacceptable to our peoples and impossible to implement, because they would affect the lowest-income sectors in particularly unjust fashion and the degree of sacrifice would be too great. The document recommends the establishment of a general framework within which all of the Latin Americans can negotiate their debts, with respect for the sovereignty of the debtor countries and consistent with their potential and conditions.

It was Jorge Luis Joa who spoke to describe the courtesies and attention given the Cuban delegation.

"The welcome and the concern given the Cuban delegation during our stay in Venezuela were obvious and significant, and in general, the Venezuelan press reflected this objectively. We were represented by two comrades, Santiago and Pi Vidal, on the commission entrusted with the drafting of the final statement, and our country was one of those chosen to contribute one of the speakers at the closing session. We had interviews not only with the president, but also with the four presidential candidates and various of the Venezuelan political forces. We were guests at a plenary session of the Central Committee of the Venezuelan Communist Party, and we were treated with great cordiality at the parliamentary group building. Also, many of the Latin American leaders represented there made contact with the Cubans, and in all of these exchanges a fraternal and open atmosphere prevailed. In the meetings with the Venezuelan parliamentarians and the representatives of the various parties, it was made evident that on the level of the people, the relations between Cuba and Venezuela never have been and never will be broken."

5157

CSO: 3248/1123

## INFLATION RATE HAS REPORTEDLY INCREASED BY 233 PERCENT

Quito EL COMERCIO in Spanish 5 Jul 83 p A-1

[Text] Right now the sucre has a real value of 42 centavos while inflation rose 233 percent compared to the months of April and May 1979, it was disclosed by Wilson Ruales, director of the National Statistics and Census Institute.

To determine the current price index, the sucre was taken at a value of 100 centavos in 1979. Just 3 years later, the currency had reached a value of less than 50 percent.

Worker wages in the meantime, taking the same base year, went up 180 percent since, in 1979, the basic wage was 2,000 sucres whereas since 1 July of this year it came to 5,600 sucres.

The official talked about the phenomenon of inflation, indicating that it assumed serious proportions in June. Between June 1983 and the same month in 1982, there was an increase of 51.4 percent, three-fifths of which are due to the performance of the Coast.

In that region, the index was 53.8 percent, while in the Mountains it came to 48.1 percent. The change in the category of food and beverages accounts for about two-thirds of the rise in the general index, with major influence on the Coast.

The change in housing expenses during the same period of time points to an increase of 0.1 percent compared to the same period of time mentioned earlier, with similar shares in the Mountains and on the Coast.

Nevertheless, Ruales indicated that inflation, even in view of its current record, will not reach 90 percent by the end of the year. Everything depends on the country's production activities which were seriously affected by last winter.

He blamed various factors for the accelerated growth of inflation in recent times. The phenomenon is in line with the concept of imported inflation, currency devaluations, and, significantly, the rough winter season, he emphasized. This last fact, he added, caused a farm output loss in various sectors,

the destruction of communication lines which are important in shipping products to the consumption centers, and speculation which has become worse.

The problem is further aggravated by smuggling which is out of control and by the monopolization of the flow of trade, he said, and then he added that, in view of this situation, both the consumer and the mass media must help to fight speculation.

In making these statements, on the other hand, he explained the way in which the consumer price index is calculated for families with low and middle incomes in an urban setting.

5058

CS0: 3348/579

## POLITICAL PARTIES LAUNCH PRESIDENTIAL CANDIDATES

Quito EL COMERCIO in Spanish 3 Jul 83 p A-1

[Article by Miguel Rivadeneira: "More and More Candidates"]

[Text] Some parties are preparing their conventions to pick new candidates for 1984.

Presidential candidacies for the 29 January 1984 elections were increased at the start of July--"the selection month"--and the final name of the "National Reconstruction Front" is also about to jell.

The proclamation of the presidential candidacy of Jaime Hurtado of the Democratic People's Movement, took place the day before yesterday in this capital while the combination of the Social Christian, Conservation, and Liberal parties, as the base of the "National Reconstruction Front," became the most relevant event of the first days of the month of July when a series of final selections will be made in the country's various political organizations.

The nomination of Hurtado now gives us four presidential candidates who officially tossed their hat into the ring for next year's elections.

The first of them, Jorge Zavala Baquerizo, was forced to decline his presidential candidacy due to pressure from the Liberal leadership.

The other two candidates--Francisco Huerta, of the Democratic Party, and Julio Cesar Trujillo, of the ruling Popular Democracy Party--launched their political campaigns yesterday and expect to cover the entire country.

Trujillo returned to the country yesterday after a trip to Europe and Venezuela which lasted approximately 3 weeks. Upon his arrival in Quito, Trujillo supporters and sympathizers as well as DP [Popular Democracy Party] leaders staged a meeting which practically became the start of his election campaign.

In the meantime, the presidential candidates Rodrigo Borja, of the Democratic Left; Leon Febres Cordero, of the Social Christian Party; Hugo Ordonez, of the radical Alfarista Front; Rodolfo Baqueriz, of the Nationalist Revolutionary Party; Aquiles Rigail, of People, Change, and Democracy; and Rene Mauge, of the Popular Democractic Union-Broad Front of the left are hoping for

official status for their candidacies from the country's supreme court; this for the most part will happen during the current month.

In this connection, the leaders of the parties to which the above-mentioned candidates belong are putting the finishing touches on the details for the conventions or national assemblies during which these candidacies will be made official.

Last week, the parties took various steps. The Conservative, Liberal, and Social Christian parties, for example, decided to establish the base of the National Reconstruction Front which will nominate opposition leader Leon Febres Cordero as the presidential candidate.

The discussion within this front at this time centers around the selection of a running mate for Febres Cordero. It was stated in this connection that the candidate for the office of vice president of the republic to be put up by this front will be a liberal individual to be picked between that party's director Blasco Penaherrera and Quito mayor Alvaro Perez.

In this connection, the liberal legislator Eudoro Llor told this daily that his party hopes to put together a team with Febres Cordero, explaining that the selection of the running mate for the Social Christian leader will be made by the supreme board of the Liberal Party as well as the national assembly to be held soon.

In the meantime, a clear split has emerged within the CFP [Concentration of Popular Forces] concerning its possible participation in the "National Reconstruction Front."

CFP director Averroes Bucaram ruled out any idea as to his support for the candidacy of Febres Cordero; on the contrary, he began a series of conversations with the ID [Democratic Left] and other parties, explaining that no understanding has as yet been arrived at and that the issue will be resolved during the coming national convention scheduled for 16 July.

Due to the bitter comments made by the CFP national chief for political action, Luis Gavilanez, against the ID, Bucaram relieved him of that job in his party while at the same time he announced that he would take over leadership of the CFP legislative delegation.

ID leader Rodrigo Borja in turn showed his satisfaction over the fact that CFP is not backing the Febres Cordero candidacy.

When questioned as to whether he is not afraid of the "National Reconstruction Front," Borja replied that this is a "front of political deadheads" and that this is why he is not afraid of facing it.

On the other hand, in circles within the Nationalist Revolutionary Party it was confirmed that the presidential candidacy of the current president of the Chamber of Representatives, Rodolfo Baquerizo, would be announced during its national assembly to be held on 16 July in Babahoyo.

In the meantime, Rigail of the PCD [Democratic Conservative Party], and Ordonez, of the FRA [Radical Alfarist Front], hope to get the nod as presidential candidates from their parties during the national conventions scheduled for 23 July in Santo Domingo for the Colorados and 30 July in Guayaquil, respectively. Apart from that, Ordonez continues to criss-cross the country in an early campaign.

Finally, other parties--such as the Socialist, Velasquez, CID [Democratic Institutional Coalition], Roldos, and APRE [Ecuadorean Revolutionary Popular Action] parties--are getting ready for their national assemblies during which they will pick their candidates for the next elections.

5058

CSO: 3342/579

## CONGRESS APPROVES WAGE INCREASE FOR TEACHERS

Quito EL COMERCIO in Spanish 6 Jul 83 p A-1

[Text] The National Chamber of Representatives yesterday at the end of the second and final discussion passed the bill increasing the basic salary of the nation's teachers by 1,300 sucres; the increase will be implemented in two stages: 650 next October and the remaining 650 starting in January 1984.

This bill--which will be submitted to President Osvaldo Hurtado for his consideration today--was debated at length yesterday in the Chamber during the two sessions that were held in the midst of expectations on the part of teachers who had gathered in the area around the legislative chamber; there were also clashes with the National Police, resulting in two injured. The debates fundamentally revolved around the amount of the increase in basic teacher salaries and on the way to finance the bill.

The 1,300-sucres increase was rejected immediately by UNE [National Union of Teachers] leaders who left the legislative chamber, loudly expressing their protest.

National UNE President Ernesto Alvarez rejected the resolution passed by the legislature and announced that the organization's national board of directors would meet in this city today to analyze the bill passed by the Chamber and to discuss the strike which has been going on since 6 June.

According to the resolution adopted by the Chamber, basic teacher salaries as of 1 October will be set at 7,345, including the 30-percent job allowance to which all categories on the pay scale are entitled; this figure will be raised to 8,190 sucres as of January 1984.

This increase will represent an annual expenditure of 3,000 million sucres, approximately, for the treasury. Around 445 million will be needed to implement the first increase of 650 sucres.

The Chamber was able to arrive at a definite agreement after having rejected both the proposal of the budget committee which called for 1,200 sucres--600 as of October and 600 as of January 1984--as well as the alternatives that had been proposed and that went as high as 1,500 sucres, although with different implementation mechanisms.

The increase in basic teacher salaries according to the bill that was passed will be financed by a 5-6-percent increase in the mercantile transaction tax, the semiannual collection of the standard 1-percent tax on credit transactions in national currency, as well as the additional tax of 1 sucre per bottle of beer produced in the country. For city teachers, this increase will be financed with the revenues deriving from the additional 6 per-mill tax on urban real estate property whose real estate register assessment is in excess of 500,000 sucres and the additional 2-per-mill taxes on urban real estate property whose assessment is more than 200,000 sucres, to be collected in advance by the country's city governments.

After yesterday's marathon, the Chamber ended the special session convened exclusively to analyze the proposal from the teachers; the session lasted 3 days. Today, the Chamber is to resume the next special session which was called to study constitutional reforms.

5058

CSO: 3348/579

UNION APPEALS TO MONETARY BOARD ON LABOR VIOLATIONS

San Salvador EL MUNDO in Spanish 19 Jul 83 p 13

[Paid advertisement by the Union of Bank and Financial Institution Employees (SITRABIF); passages enclosed in slantlines printed in boldface]

[Text] Workers of the Financial System: The Union of Bank and Financial Institution Employees (SITRABIF) sends you a cordial and fraternal greeting.

On this occasion, our union informs you that the /hearing/ requested of the Monetary Board on 6 June 1983 was granted on 30 June, and held on Friday 15 July of this year. On behalf of the Monetary Board, the president and secretary were present, as well as the Negotiating Committee named by the General Board of Directors.

At that hearing, the Negotiating Committee of the General Board of Directors delivered to the Monetary Board a document containing the explanation of the problems we face. The various points contained in this document were discussed with the representatives.

Here is the text of that document:

San Salvador, 15 July 1983

Members of the Monetary Board:

We requested a hearing in order to explain to you, on behalf of the workers of the Financial System, our problems, in terms of the following aspects:

General Wage Raise

The Monetary Board agreement regarding wage increases, based on Decree 185, which was issued by the Constitutional Assembly and took effect on 1 April 1983, is subject to the following observations:

A) When it was authorized, the real needs of the workers were not taken into consideration. It is through our efforts that the various institutions earn profits. We feel that the economic capacity of each institution would enable it to provide wage raises higher than those authorized.

B) That resolution is absurdly sectarian, in that it did not authorize all the institutions that belong to the Financial System to raise wages.

C) The delayed implementation of the raise is unjustifiable, because Decree 185 took effect on 1 April, so we have lost 3 months of increased wages.

With regard to Decree 185, we would like to take this opportunity to consult with you, because you have not expressed your opinion on:

The discriminatory implementation of the raises, considering that all workers were to benefit from the increase, otherwise those who received no raise would be at an even greater disadvantage in the face of price increases generated by the rise in indirect taxes and the notice of a "Wage Raise." Based on the statistics on prices for Goods and Services and for the Basket of Goods, the Monetary Board should have recommended that the raise exceed 10 percent, and that it apply to /all workers/.

Taking into account the above considerations, the Monetary Board should take the corresponding action in the Constitutional Assembly so that a /general raise/ of 10 percent may be approved for us as soon as possible.

We feel that this agency has the technical resources and the information necessary to justify a more adequate general wage increase, taking into consideration the current cost of living.

#### Uniformity of Economic and Working Conditions in Financial System

The purpose of presenting the Platform for each of our Locals is to complement the economic and working benefits already provided in some institutions but lacking in others, so that in the short term these benefits can become standardized.

We confirm that we have undertaken this process in accordance with the law, and we have informed each of the Administrations. We have never flouted the hierarchical authorities in our attempts to maintain labor-management harmony. Nonetheless, some institutions that claim to want a favorable resolution cite the various limitations imposed by you; and as directors of the Financial System, it is you who should authorize the increase in social and working benefits, as you have done in terms of wage increases.

Based on the above considerations, and with the approval of our members, we propose that you undertake a study of the various benefits that are provided in all the institutions that make up the Financial System, and that you raise them to a standard level.

Our request for parity is based on the following reasons:

Although there are affiliated Financial Institutions, and their employees perform similar jobs, requiring the same effort and the same workday, in terms of their wages as well as the social benefits they receive, there are unacceptable differences.

It is a principle of Justice that workers who perform the same work under identical circumstances should receive equal remuneration, regardless of Sex, Race, Creed or Nationality.

We also ask that the Monetary Board authorize different institutions to provide the benefits already acquired and traditionally required, as well as other benefits won by the union but not implemented by management, claiming that the Monetary Board had not authorized them.

We feel that among the petitions presented there are some points that would be feasible to approve, so we ask that the Monetary Board issue instructions for them to be discussed with our Locals.

#### Free Organization

Exercising the Right granted by the Labor Code, the SITRABIF has proved ever since its inception to be a Union that represents the rights and interests of the workers of the Financial System, having fought for and won some benefits for the workers.

Although Article 204 of the Labor Code clearly establishes the workers' right to free association, some Administrations boycott the right of our Union, practicing anti-union activities such as the following:

- A) Militarization of workplaces, with troops permanently maintained in some institutions in order to intimidate the workers, carefully monitoring their movements, conducting personal searches and even trying illegally to capture Union officials.
- B) Mass firings of Union officials and members, without recognizing the guarantees set forth in Articles 248 and 249 of the Labor Code, at the same time violating Article 251 of the same.
- C) Freezing Union funds and arbitrarily suspending the respective withholding of union dues for our affiliates, in violation of Article 252 of the Labor Code.
- D) Installing anti-union officials who promote measures designed to limit the activities of the Union and to coerce Union leaders and members, having earned the repudiation of the workers, who as an alternative requested that such officials be removed, only to receive in response increased reprisals, in violation of Article 30 of the Labor Code.
- E) Denial of the Licenses to which, according to Article 29, Paragraph c) of the Labor Code, all Union leaders have the right; in some cases wages have been docked for time used for union activities.
- F) Denial of access by the General Board of Directors to the institutions where we have Locals, and moreover, where there is no Local Board of Directors, refusal to allow assemblies to elect Directors; our requests for hearings are denied on the grounds that we have no legal standing.

For the above reasons, we request that the Monetary Board intercede to stop the boycott of the Union, and that it issue instructions to the various Administrations to recognize the existence of our Union and its legal status.

We hope you will resolve favorably the different issues raised here.

Sincerely,  
For the General Board of Directors:  
Negotiating Committee

We hereby inform you that the representatives of the Monetary Board assured us that they would analyze each of the situations explained above, and would then issue the appropriate resolution.

However, they made some clarifications for us, as follows:

—That the authorization for the wage increase applies to all the institutions of the Financial System, but it is necessary for a study of the economic situation of each institution to be conducted first.

Therefore, for the Agricultural-Livestock Development Bank, the Federation of Loan Banks, National Housing Finance, CASA [expansion unknown], etc., even though the wage hike has not been granted to date, it will be authorized as soon as the economic study is completed, and it will be retroactive.

They also indicated that the economic capacity of each institution would enable it to grant wage increases greater than those authorized.

With regard to the standardization of benefits, the representatives of the Monetary Board stated that it is up to each institution to negotiate them with our Locals. This sharply contrasts with the statements by some Administrations that they will not authorize them because of limitations imposed by the Monetary Board.

The representatives of the Monetary Board indicated, however, that they had a study that revealed that some benefits could be standardized, such as: Life Insurance, Loans, Medical Care, etc.

—With regard to the boycott the various Administrations have practiced against the Union, they indicated that they would send each Institution a /reminder/ regarding respect for /the freedom of organization/.

/The hearing we obtain, as well as any achievements we make in the future, are possible only with the support and solidarity of all the workers of the financial system/.

/The financial worker demands fair wage increases/.

/All to demand prompt action on our petitions/!

/All to show solidarity with the SITRABIF/!

/All to join our Locals/!

/All to strengthen the labor organization/!

For the right to work and to union organization, SITRABIF is present, active and responsible.

General Board of Directors

8926

CSO: 3248/1147

## FENASTRAS ATTACKS CORRUPTION, GOVERNMENT'S FAILURES

San Salvador EL MUNDO in Spanish 19 Jul 83 pp 26, 27

[Paid advertisement by the Salvadoran Workers National Union Federation (FENASTRAS); passages enclosed in slantlines printed in boldface]

[Text] A) /Economic Wellbeing Is a Right of Man/

We are starving to death, half the population lives on 10 percent of the national income, 26 percent have absolutely no income, and the 20 percent that represents the privileged class appropriates to itself 70 percent of the product of everyone's work; the remainder, a moribund petite bourgeoisie, is left with the rest (remainder). We do not have work; unemployment is so widespread that the Association of the Unemployed has nearly 100,000 members, and is expected to number 200,000. Only 500,000 people have jobs, 85 percent of them earning less than 500 colons per month, while the 5 percent with /high offices/ earn more than 4,000 colons. Eighty-five percent of us workers are /illiterate/; but among the population there is a group of /gentlemen/, representing a mere 0.5 percent, who have 17 years of education. We are a Dependent society, and therefore, although the economic Model has destroyed the system, it is generated from the Decision-making Center of the /United States/. But the latter will do what is absolutely necessary to restore the kind of Social and Economic Policy that will strengthen its Hegemony in the region, which has been endangered for many years.

The Administration of President /Ronald Reagan/ of the /United States/ is attempting, through a /mini Marshall Plan/ and a /regional war, with open, brazen support for unpopular regimes/, to maintain this /state and its government/ within the framework of formal, assertive and demagogic Democracy. The immediate past refutes this:

Three years of /martial law/.

Approximately 50,000 political murders.

A National University shut down and threatened with extinction.

A war that constitutes the principal activity of the /state/ and its /government/, and that is convulsing the countryside.

Hundreds of Political Prisoners

People who disappear because they do not agree with the official Democracy.

An assassinated Monsignor Romero.  
Eleven priests, four nuns, 25 journalists murdered.

Nothing works and nothing will work as long as this inhumane War continues to consume us. The economic problems are becoming critical, the state's finances are becoming depleted, and the public budget lives off the poor, even though they have barely enough to eat. On the other hand, the owners of Capital take their foreign exchange out of the country; Businesses are decapitalized; Public and Private Investment disappear as generators of employment; every Capitalist family pays for /costly armies/ to preserve their lives and possessions.

- /This merely reflects the profound crisis of the state/
- /The lack of confidence in the security provided by the government/
- /The bankruptcy of the national economy/
- /The ruin of medium and small businessmen/
- /The rise of unemployment to unprecedented levels/
- /Inflation goes on a rampage/
- /The black market for foreign exchange is uncontrollable/
- /The war budget cannot be financed/
- /Wages are maintained theoretically, but real wages continue to lose their buying power/
- /Taxes have increased, and will continue to rise, because that is the only solution the government can find/
- /There is credit, but with strings attached/
- /There is no medicine/
- /There are no salaries for teachers, schools are not being built, and those that close down will never open again/
- /There is no budget to finish the university year, and even if there were, the idea is to strangle it economically/

And above all, /if the war continues, the crisis is uncontrollable/. The words of President /Magana/ are encouraging to few: /We have nothing to negotiate, nothing to pardon, no reason to engage in dialog/.

B) /In Addition to the Profound Crisis, Official Corruption Continues as Usual/

We workers contend that here nothing has changed. The proclamation of the coup leaders of 14 December 1948 stated that the objective of the coup launched by /Osorio, Bolanos, Galindo Polh/ and others was to do away with an unpopular and corrupt /government/. But corruption continued for another decade with a /Prudist Government/. In 1960 there was another /coup/ against Corruption and Official Savagery. This /Government Junta/ did not win confidence, and 3 months later, on 25 January 1961, it was overthrown. The engineers of the /coup, Rodriguez Porth/ and company, formed a /directorate/ to combat /corruption/ and return to the path of Democracy and Constitutionality. That was how, from that divine /Democratic Seed/, four National Conciliation Party (PCN) governments emerged, all vying each other to be the worst, violators of /Human Rights/, Corrupt and unpopular. During that time the /general strike of Acero, S.A./ took place, as well as the two /strikes/ by /national teachers/, and the most /shameless electoral frauds/, the brutal

Assault on the /Salvadoran Coffee Company/ which was plundered by its /founders/. The fraud and Corruption reached as high as the cruelty of the /Law Enforcement Authorities/, which gave it legitimacy, to such an extent that the President of the Republic is /Chief of Law Enforcement/.

The murders, jailings and all kinds of violence led the people to struggle to defend themselves, their organization and their historical presence, covered with glory and with a romantic hope for a better Society.

During these 3 years of the 1980s, things have remained the same. For example: There is no food; the Agency for International Development (AID) of the United States CIA sells us that food on credit. In the first 6 months of this year, however, the price went up by an average of 20 percent, and 539.2 metric tons of these transactions were "abandoned" at the warehouses of the San Bartolo Free Zone more than a year ago. /Who had them there?/ No one. They just grew feet and walked away, or perhaps someone said: /Get up, Lazarus, and he appeared there/.

Negligence or neglect is no less serious; it is reported that a shipment of food is gradually rotting in the warehouses of the port of Acajutla. A good number of Argentine buses are still there at Sitiodel Nino. It is said that the skimmed milk donated by AID to the Institute of Supply Regulation (IRA) is /contaminated/, and that it could have harmful effects for children aged 6 months or less. In Santa Ana /contaminated/ milk is being sold at 25 colons for a 5-pound can.

The following can be found in the Free Zone: 1,020,800 pounds of rice, 12,000 gallons of oil, 105,000 pounds of powdered milk, 202,500 pounds of corn meal.

There are no /foreign reserves/, but in the first 6 months of 1983 AID lent \$62 million. But on the parallel market the dollar is worth 4.05 colons, while on the black market it is worth 5.10. On the other hand, /Foreign Trade/ authorized 10,500 export licenses for 261 different products. /What are we to think?/ Factories are shutting down, workers are being laid off, there is no /raw material/ for lack of /foreign exchange/. /Why are 261 different products being exported without being produced?/

We workers think there could be two reasons:

/First/: Because of the /inventories/, that is, large quantities of merchandise produced as long ago as 1979 and warehoused for later speculation, and coming out now at prices three or four times higher than back then, yielding big fat profits as a result of the hoarding; and

/Second/: Contraband can be produced abroad, introduced into our country and sold at high prices due to the crisis, and the majority can be exported.

Why are these goods taken out as Salvadoran products? Because of the facilities, exemptions and connections they have here, that make movements easier?

But that is not all. Agrarian Reform is regressing. One hundred thirty-six beneficiaries who had been "evicted" in Cuscatlan and Santa Ana were reinstated; but 45 percent of the land affected by Decree 207 has been /claimed/ by the former owners. What is more ridiculous, the cooperativist beneficiaries of the /La Labor/ Hacienda of Ahuachapan went and asked for their old landlords back. Here also we workers know the terrorism and persecution suffered by the Cooperativists at the hands of heavily armed men dressed in civilian clothes, and we also know that that Cooperative owes 5 million colons to the Salvadoran Institute of Agrarian Transformation (ISTA), and that the latter has threatened them with jail and confiscation if they do not pay. But /where are they to get it/, meanwhile, without /credit/? Soon the beneficiaries of /Agrarian reform/ will be beggars with millionaire debts.

The people are starving to death, and food is rotting in warehouses. Our children are in danger of dying of hunger; it is said that 233,000 children could go blind from malnutrition. People in public office are speculating with the needs of the nation:

/Banks close their lines of credit/.

/Foreign reserves needed for food and medicine run out/.

/The black market for everything expands, and everything is available on the black market/.

/Vehicles have not been imported here since 1979, but 1982-83 models are driving around/.

/Our fellow workers disappear night after night, sometimes during the day/.

/Merchandise shipments are smuggled in everywhere, and manage to reach San Salvador despite the roadblocks on the highways. That is why there are Pierre Cardin, Cristian Dior and other luxury clothes imported from Europe in the "boutiques"/.

But the people continue to starve to death slowly, without jobs and under relentless persecution. The false Amnesty was discriminatory, and 363 prisoners remain there, along with a huge number of others who week after week join the "hope in /Mariona/". The economic crisis is impossible to resolve in this war. The war feeds corruption, and that is why the corrupt support the war: We have /no reason to engage in dialog, nothing to negotiate/, they repeat, while the people starve to death.

#### C) /In La Union and Usulután, Fishermen Are Fighting/

The Fishing Industry is located in the eastern part of the country, in a kind of underdeveloped enclave of an industry that one day will solve the people's food problems; in /Juquilisco Bay/, Department of Usulután, several moribund businesses subsist, including:

Pesca, S.A., which includes: Distribuidora Marina

Mariscos Cuscatlecos

Nautica del Litoral

Pesquera Vidaurre

Atarraya, S.A. and Ballena, S.A., which include:

Camaronera Salvadorena

Pesquera Ruiz Quiroz

Mariscos de El Salvador: Closed, claiming inability to meet costs

Pesquera del Pacifico

Pesquera El Trinfo

Cooperative Acopuerto

In /Puerto Cutuco/ La Union the following are operating:

Multipesca, S.A. de C.V.

Empresa Pesquera Salvadorena, S.A. (EMPESA)

Pesquera San Rafael

/What is happening in Multipesca?/

The firm has suspended work for alleged losses totaling millions of colons. More than 900 Salvadoran families have been affected, and if this source of jobs does not open up again, they will be deprived of a means to earn their daily bread because there will be nowhere to work. The national banks have lent several million colons to rehabilitate the business and open it again, but this is not enough, since the firm is still closed. It shut down suddenly, and in addition to eliminating a source of jobs, it owed its employees five 2-week paychecks. Now they will have to demand their rights and resort to the Attorney General for the Poor to obtain legal assistance. That office has not been very concerned about the problem of the workers, and does not pay them any attention.

/What has the labor union done to maintain jobs in the La Union port?/

Of course the Salvadoran East is the Zone of Belated Capitalism. Industry began only in the middle of the last decade. That explains why the Social conflict is more brutal than in the rest of the Territory. The poor peasants and the agricultural proletariat are devastated by the economic crisis; and when they organize to defend themselves, they are treated unfairly. Poverty in the East is extreme, and the class conflict violent. There, in the middle of war, we must /work/, struggle to improve the situation of the worker and promote his demands. /We must ask:

Has Multipesca, S.A. been declared bankrupt? Does intervention by the banks mean bankruptcy? Can the banks consider themselves employers and serve as substitute employers here?/

We workers feel that such a bankruptcy has not taken place, that the /banks/ have intervened as managers to guarantee their investment, and that the employers have not been replaced.

In view of the above, we demand:

/That the firms Multipesca, EMPESA and Pesquera San Rafael in the port of La Union be reopened/.

/That worker seniority and labor union organization be observed/.

/That EMPESA pay the workers five 2-week paychecks, equivalent to 400,000 colons/.

/That the government, through the Central Bank, finance investment in the production process of Multipesca, given that four new ships, a plant to process fishmeal and an ice plant, are an absurd investment if they are not utilized/.

/That we workers have exhausted all legal, administrative, judicial and extra-judicial channels, and neither the Attorney General of the Poor nor the Ministry of labor has acted upon our requests for aid, sponsorship or representation. No one is interested in the problem of fishing workers/.

In recent days, the /Ministry of Agriculture/ mentioned the /Center of Fishing Development/ and spoke of a second national phase of /fishing development. Lies! Here the only thing that is developed is businesses that benefit the owners. They, the owners, develop anything that yields profits; if the profits are not forthcoming, they close/.

/We will go to all the offices of the government until they restore this source of employment/.

/We demand that the government solve this problem of the workers, because more than 2,300 families are involved, and we demand that our wages be raised/.

/We will walk from one place to another until they realize that fishing was developed before 1976, and now it needs intelligent and objective investment, as a function of the people who work, earn wages and return that money as consumers to the businessmen themselves. We call upon all workers to walk with us to the public offices, to the banks, to the Presidential Mansion. We are not begging for handouts; we are demanding work/.

/For a substantial raise in wages!//

/For lower prices for necessity goods and services!//

/For reopening closed workplaces!//

/For an end to the war, a ceasefire and the commencement of negotiations!//

Salvadoran Workers National Union Federation (FENASTRAS).

8926

CS0: 3248/1147

## LEGAL AID OFFICE REQUESTS GREATER JURISDICTION

San Salvador EL MUNDO in Spanish 22 Jul 83 p 2

[Text] The Office of the Attorney General for the Poor has asked the Constitutional Assembly to expand its faculties in the new Political Constitution.

Attorney General Dina Castro de Callejas has sent the directors of the Assembly a note reminding them that at the appropriate time the institution had presented to the Legislation Committee a list of reforms to Article 100 of the current Constitution, referring to the activities of the Attorney General's Office.

The attorney general asks that in the new Constitution the social efforts undertaken by that institution be recognized, being beneficial to the Salvadoran family.

What her office wants, she claims, is to have recognition of its work as director of family protection programs, since at present many agencies are working in this area and there is no proper coordination.

She states that despite the provision that all men are equal before the law, and that no restrictions may be imposed on the enjoyment of civil rights on the basis of differences of sex, in practice women have been subjected to discrimination. To date no institution has tried to enforce the rights that have gradually been accorded women.

She also points out that there is a high percentage of minors who have been abandoned or are the children of unknown parents, and this poses a serious social-legal problem because of the uncertainty they face in exercising their rights.

In spite of this situation, explains Dr Dina Castro de Callejas, the attorney general has practically no authority to represent minors, so there should be constitutional recognition that the attorney general should be the official who oversees the social and legal protection of minors and other incompetents, and should represent them.

She also points out that one of the principal activities of the Office of the Attorney General for the Poor is to provide legal representation for people of limited economic means in the defense of their civil and family rights.

Nevertheless, says the attorney general in her note to the Assembly, in the current context of the Political Constitution, the office has the authority to represent these people in defense of only their individual freedoms and labor rights, which is highly restricted, considering the high percentage of civil and family cases the office handles. Thus, it is necessary to expand the attorney general's faculties in the new constitution with respect to the aforementioned civil and family rights.

8926

CSO: 3248/1147

## FOUR PARTIES UNITE IN ELECTION OF FIRST SECRETARY

San Salvador EL MUNDO in Spanish 15 Jul 83 p 2

[Text] The ARENA, PCN [National Conciliation Party, PAISA [Authentic Salvadoran Party] and PPS [Salvadoran Popular Party] yesterday pooled their votes in the Constituent Assembly to elect as first second secretary representative Francisco Merino Lopez, thus replacing Rene Barrios Amaya, who was murdered by the FPL [People's Liberation Forces] last 28 June.

Before the voting in the plenary election yesterday, there were strong interventions by the Christian Democrats, who raised objections not to the person of Merino Lopez, as they explained it, but to what they called "the predominance of ARENA and its manipulative activity" to put in that executive post a representative of that party, even when they could easily have elected someone from another faction.

Colonel Jorge Alberto Jarquin made the postulation and then Rodolfo Antonio Castillo, head of the PDC faction, asked for the floor to protest for the sake of ARENA's attitude of "wanting to inherit posts." On many occasions, said Castillo, the speaker of the assembly has promised to reorganize the board and on this occasion I could make use of that vacancy, since the plenary session did not elect specific posts for a party in April of last year.

What the Christian Democrats sought, as was discussed, was being able to aspire to the post left by Barrios Amaya, but the representatives of the faction which is identified as of PAISA, through representative Carmen Canas de Lazo, saw to frustrating those aspirations.

Representative Canas de Lazo said that the representatives of the PDC on many occasions had acted disrespectfully not to the chief Roberto D'Aubuisson, but to the speaker of the assembly, saying that "he is not a man when on many occasions he has shown that he indeed is a man in every sense."

The allusion of the PAISA representative was due to the fact that Jose Alberto Buendia Flores, of the PDC, said that D'Aubuisson did not keep his word as a man and as a soldier, for on many occasions he had promised to resign from the board and reorganize the board, but he never kept his word.

Julio Adolfo Rey Prendes also spoke and made clear to representative Canas de Lazo that the PDC did not say that D'Aubuisson is not a man, but that he fails to keep his word as a man and a soldier when he does not do what he promises.

D'Aubuisson intervened to clarify that resigning is not a decision that depends solely on him, but that it must be discussed factionally and with the party, but that he is keeping his promise and will have to resign to devote himself to politics.

The PDC asked for the election to be postponed and this was rejected by ARENA, PCN, PAISA and PPS.

Finally, the voting took place and the PDC and AD abstained, and Nelson Segovia of AD explained that his reasoning was for the party and not in a personal way. "AD abstains not because the candidate is undeserving but because it considers that right now the election is neither necessary nor urgent nor is it representative of all the parties currently present in the Assembly," he said.

12448

CSO: 3248/1097

## PCN LEADER REITERATES GOALS, DENIES PARTY SPLIT

San Salvador DIARIO LATINO in Spanish 12 Jul 83 p 14

[Text] "There won't be any peace if we are not all united," said Dr Francisco Jose Guerrero in the city of La Union, where he came heading a numerous delegation from the Party of National Conciliation (PCN), of which he is a member of the Supreme Executive Council and unofficial candidate to the presidency of the republic. His candidacy to the post, as is known, was proposed by Mr Raul Molina Martinez, first vice president of the republic and PCN secretary, recently at the Departmental Assembly of La Paz, held in the town of Zacatecoluca.

Dr Francisco Jose Guerrero stated to the people of La Union that Mr Molina Martinez was not present owing to circumstances beyond his control and that he had asked him to see about sending them all greetings with the usual brotherly love. He added, as did the other PCN speakers who took the floor, that the PCN is prepared to cooperate enthusiastically and with good will as it has in the past and will in the future, in the process of national pacification, as it is now doing with the Government of National Unity, of which it is a part.

"It Is Ludicrous To Speak of Division in the PCN"

The official candidate to the presidency, Dr Guerrero, began his talk by pointing out that the word "union" appears in the motto of our national flag, together with the terms "God" and "freedom." Something symbolic and honorific for the people of La Union, now the name of their city flutters in the wind in the folds of the blue and white flag of Cuzcatlan.

Then Dr Guerrero stressed that it is ludicrous to say that there is division in the ranks of the PCN. What is happening, he explained, is that there are differences of opinion and points of view, something very usual in democratic associations. Discussion fortifies and makes light appear, especially in these difficult moments the country is going through, he added.

Death and Destruction Rise to Unprecedented Levels

In referring to the climate of violence prevailing in the republic because of Leftist subversion, encouraged and equipped from abroad, the unofficial PCN candidate to the presidency emphasized that Salvadorans never imagined the

levels of terror, destruction and death would rise to such a critical level and that bad sons of El Salvador would attempt by fire and sword to replace our flag, bearing the colors of the banners of the great nation, with the red and black standard of bolshevism that means struggle, desolation and slavery everywhere it has flown.

Dr Guerrero recalled that in the Department of La Union there has been suffering and the people still suffer the homicidal violence of guerrilla terrorism, but--he eulogized--the people of La Union have remained firmly committed to democracy and patriotism and that is why--he stressed--the Party of National Conciliation is present here, both people and armed forces, all united against subversion.

#### We Always Dream of Supremely Blissful Peace

Dr Francisco Guerrero showed special enthusiasm in referring to the heroism of the armed forces, especially in the eastern area of the republic, who have not wavered a single moment in their struggle against the well-equipped guerrilla hordes. The PCN--he indicated--will never stop admiring, praising and thanking the army for the job it is doing in defense of the honest citizenry and their possessions.

The unofficial PCN candidate hastened to invite the gathering to reflect on the eloquent, beautiful words of our national anthem, especially in the stanza that says: "El Salvador always dreamed nobly of blissful peace; to achieve it was its everlasting problem; to preserve it, its greater glory...."

That immense glory for the members of the PCN still remains an indefinable goal, said Dr Guerrero.

#### The PCN Invites Us To Forgive

In another part of this speech before the Departmental Assembly of La Union, Dr Francisco Jose Guerrero recalled that the Party of National Conciliation, which is not a makeshift party, but an institution dating back over 20 years, came into being for the purpose of promoting Salvadoran brotherhood and understanding, and among the things it stands for the attainment of peace, justice, progress, freedom and democracy.

This is why--stressed the unofficial PCN candidate to the presidency--all men, women, adults and young people, should be exhorted to learn to forgive, to initiate the conciliation proposed in our name, and this too is why we should cast aside hatred forever, because El Salvador deserves a peaceful, prosperous future.

#### Dynamic Social Justice for All Salvadorans

Dr Francisco Jose Guerrero finished his discourse in the city of La Union stressing that one of the basic aims of the PCN is social justice, but not a quiet, easy-going social justice because--he announced--what was just in the 1970's is not just in the 1980's. Justice, he stated, has to be dynamic, but within democratic guidelines, not impelled by murderous guns and bazookas.

In speaking of youth, Dr Guerraro stressed that we do not wish our young people to be submerged in a perpetual Vietnam. What we in the PCN want, he finally said, is for boys and girls with their books under their arms to be happy in their schools, in pursuit of total improvement we want our children and youth to enjoy uninterrupted happiness.

San Salvador, 11 July 1983

12448

CSO: 3248/1097

## BRIEFS

STUDENTS IN ARGENTINA ASSOCIATION--The Association of Salvadoran Students in Argentina, a nonprofit service organization, has been formed here in San Salvador, reported the head of the aforementioned organization, Alejandro D. Marroquin. He adds that the organization will be made up of people who have studied in some city in the Argentine Republic. The AESAR, which is the acronym of the association, says the informant "will have as its purpose harmonizing relations between the members, promoting group spirit, strengthening fraternal bonds between Argentina and El Salvador and coordinating all activity involving rapprochement or exchange of cultural activities between the two countries." The provisional executive board was composed of the following: head, Alejandro Dagoberto Marroquin; second in command, Julio Vazquez Salcedo; secretary, Cristobal Humberto Ibarra; treasurer, Col Rene Emilio Ponce; directors from first to fifth, Drs Cesar Augusto Escalante, Francisco Espinoza, Roberto Amaya Diaz, Aristides Velazquez and Jacinto Colocho. [Text] [San Salvador EL MUNDO in Spanish 13 Jun 83 p 15]

12448

CSO: 3248/1097

## MEXICAN NEWSPAPER REPORTS SECRET INTERROGATION CENTER

Mexico City EL DIA in Spanish 11 Jul 83 p 15

[Excerpts] Guatemala, 7 Jul--More than 400 people are being held in underground installations of the Tactical Group of the Guatemalan Air Force (FAG), according to reports circulating in this capital, which have not been confirmed by the authorities.

According to these reports, the prisoners were taken to this place after having been arrested by policy and paramilitary bodies.

"There are people there who were abducted about 2 years ago," a source who declined to identify himself revealed.

These people have not been killed because special Guatemalan, Argentine and Israeli intelligence teams are interrogating them constantly to confirm information on other recent prisoners, the source added.

The place where the prisoners are kept is strongly guarded and hidden among the FAG hangars, it was said.

## Refugees

A delegation from the European Parliament, composed of Mario Pardini, the Christian Democratic chairman of the parliamentary delegation for Latin America, Ernest Glinne, the Belgian chairman of the Socialist group in the European Parliament, and Frederick Tuckman, a British Conservative, will visit Mexico 13-16 July and Guatemala 16-19 July.

The parliamentary delegation's mission is in support of the European Parliament's resolution of 16 December 1982 on the situation in Guatemala. One of the parliamentary mission's objectives is to gather information on the use being made of assistance from the European Community intended for Guatemalan villages.

In Mexico, on the other hand, more than 12,000 Guatemalan refugees have entered Mexican territory in the last 6 months, spokesmen for the Committee for Aid to Guatemalan Refugees (CARGUA) in this capital have stated.

According to Cargua, the Guatemalans, mostly rural women, children and old men, have crossed the border, fleeing from the violence that their country's authorities continue to inflict on the northwestern region bordering on Mexico, and have been put in camps located in Chajul and Marques de Commillas, in the Lacandon forest.

Meanwhile, Carlile Guerra de Macedo, director of the Panamerican Health Organization, has said in Tapachula, Chiapas, that the Guatemalan refugees are suffering from serious health problems, owing to the precarious conditions under which they had to leave their country.

According to the United Nations High Commissioner for Refugees, there are already about 40,000 Guatemalan rural dwellers in camps all along the Mexican-Guatemalan border.

Meanwhile, fighting between the army and guerrillas has increased in intensity in the mountainous region in the western part of the country, causing thousands of rural inhabitants to flee to Mexico, chiefly the states of Chiapas and Yucatan.

Reinforcements have been sent from the principal garrisons in the capital and provincial cities to El Quiche, Huehuetenango, Quetzaltenango and San Marcos, where vast regions are being bombed by U.S.-made AT-37 aircraft and Israeli-made Arava planes.

Recently, Guatemalan National Revolutionary Unity (URNG) reported that, in combined attacks in the last days of May and the first days of June, the government's army suffered more than 300 casualties.

12336

CSO: 3248/1139

## PARTIES OPTIMISTIC AFTER MEETING WITH PRESIDENT

CAN, MLC, PR Optimistic

Guatemala City DIARIO DE CENTRO AMERICA in Spanish 8 Jul 83 pp 1, 3

[Text] Positive aspects in the democratization process of the country were pointed out by managers of parties and political committees that participated in the meeting held at the presidential residence with the president of the republic, Gen Efraim Rios Montt, the minister of national defense, Gen Oscar Humberto Mejia Victores and the minister of the department of the interior, Col Ricardo Mendez Ruiz.

The political managers who attended, numbering 22 in all, heard President Rios Montt and expressed their opinions and viewpoints on the different aspects of the country's political life and especially on the democratization process leading to a return to life under a constitution.

Alfonso Cabrera, representative of the committee for the Christian Democratic Party, was of the opinion that the meeting was a serious and proper one among the representatives of the parties which desire the possibility of opening up free expression of political views and an immediate study of the law whereby the state of alert was declared for the purpose of amending it.

He said that a kind of agreement is being formed enabling all of us to contribute in the most efficient and rational way to the establishment of the conditions under which the opening to democracy may be achieved.

Francisco Caceres, political leader and representative of the committee for the Authentic National Center (CAN), remarked: "We need a speedy opening up of the political process, an immediate scheduling of the date of elections and we must create an awareness among the political organizations that the way to democracy is being opened up." He said in conclusion: "We believe that the president has good intentions, that he desires to engage in a dialogue with us and we hope that these aims of his will be translated into actual fact."

Another political leader, Dr Hector Aragon Quinonez of the committee representing the National Liberation Movement Party, said that the MLN [National Liberation Movement] desires to search for agreement on the national

level, that its points of view definitely favor the search for free expression of political ideas, and he stated that "conversations such as this one are positive and have broken the wall of ice that existed between political sectors and the government, and, logically, what is positive for our country, for our party, for us Guatemalans, well, logically will be welcome and we are engaging in one of these conversations at this very moment." "We hope," he added, "that these conversations will continue with this same orderliness, with this same attitude of dignity on the part of the government in dealing with the political groups and committees and that this same political dignity of ours will continue so that we may learn how to respect those who deserve respect."

Another political leader, Mr Napoleon Alfaro, of the committee representing the Revolutionary Party (PR), stated: "We have the best intentions of collaborating in the rebuilding of democracy in Guatemala. We firmly believe that what we have needed is to learn how to participate in a dialogue without becoming aroused, without insulting each other, without lacking mutual respect, and I believe we are finding ways of reaching an understanding with President Rios Montt.

The leader of the PR said in conclusion: "We are highly pleased with this kind of meeting, because we believe that it is in this way, by engaging in conversations, that the people will come to understand each other to the benefit of Guatemala."

#### PNR Balks at Meeting

Guatemala City DIARIO EL GRAFICO in Spanish 11 Jul 1983 p 20

[Text] The National Party of Renewal, following a strategic plan formulated some time ago not to take part in meetings concerning which there is no definite statement of objective, has not yet decided whether it will take part on this occasion in the conference with the president of the republic next Thursday when there will be concrete points to discuss.

#### Coalition Intact

Guatemala City PRENSA LIBRE in Spanish 15 Jul 1983 p 4

[Text] "At this time there was no general discussion of topics of interest to the entire country, since President Rios Montt said that he had to leave. And so, only general and hurried attention was given to the topics." Such was the statement made to reporters yesterday by Francisco Reyes Ixcamey, attorney, secretary general of the committee representing the Popular Democratic Force (FDP).

As he left the presidential residence, the political leader said that nonetheless the meeting had been a positive one as had been the case of all the earlier meetings.

"Next Thursday a concrete study will be made of the reforms of the laws governing elections; also a firm date will be set for the next elections and the gentlemen's agreement between all the political leaders and the office of the president will be established."

Reyes Ixcamey, attorney, added that President Rios Montt had invited the political leaders to attend a Tuesday meeting at the presidential residence, since several experts had come "to explain the reason for the need to hold elections next year."

#### Parties Still United

Elsewhere in his statements, Reyes Ixcamey, attorney, said that the so-called "Political Committee Front," composed of seven of their number, is still united "so that they may defend themselves from the traditional parties."

"We want to enjoy the same rights, for we have become aware that an effort is being made in some way to give them special benefits to enable them always to have better prospects in future elections to seats in the national constitutional assembly."

He said in conclusion: "For this and many other reasons, we have decided against dissolving the united front that we have structured until we have achieved our objectives."

8089

CSO: 3248/1086

## NEWLY FORMED UCN OFFERS BALANCE TO POLARIZATION

Guatemala City DIARIO EL GRAFICO in Spanish 16 Jul 83 p 8

[Text] A new political organization, the National Union of the Center (UCN), embarked today on the process of registering with the minister of the interior, Col Ricardo Mendez Ruiz. To this end, the governing board of the said committee handed over to the official the corresponding record and other documentation required by the new electoral laws.

One of its leaders, Ramiro de Leon Carpio, who is a lawyer, summarized the UCN's political line in the following way: "The center is a new position in our milieu that responds to the unpostponeable need to overcome the traditional struggles between extremes, which, historically, have shown their inability to govern and to achieve the overall development of the country."

"Many will think it strange to talk about the center just because there is political prejudice with regard to ideological tendencies; one is habitually considered to be of the Right or Left, but it is forgotten that there are many sectors of the population whose aspirations coincide with aspirations for harmony, peace and work," the lawyer added.

De Leon Carpio then said that a more detailed definition of the UCN's ideology, as well as of its medium- and long-term objectives, would appear within a few days.

In addition to De Leon Carpio, the members of the UCN governing board who went to the National Palace were the architect Pedro Murillo Delgado, the publicity agent Rafael Aragon Ordonez and the industrialist Jorge Salazar Saravia.

The minister of the interior received them in his office and, after talking with them and receiving the documentation, proceeded to put the registration on record.

12336

CSO: 3248/1116

## PSC-POC COALITION CHALLENGES TRADITIONAL PARTIES' DOMAIN

Guatemala City DIARIO EL GRAFICO in Spanish 19 Jul 83 p 8

[Text] At its national convention, which was held at the end of the week, the Social Christian Party ratified the formation of its new governing committee, headed by Dr Carlos Gehlert Mata, and at the same time approved on the party's behalf the document establishing the new coalition.

The general convention of the Social Christians and Workers and Farmers Party, which took place in the El Triangulo building, was held for the purposes of making official the decisions taken in earlier meetings and certifying the formation of the coalition's political nucleus, thereby establishing the new committee.

Attending the convention were representatives from the various departments of the country, as well as representatives of technical organizations, Social Christian cooperatives and settlers' movements.

In informing the public of the formation of the new political organization, Dr Carlos Gehlert Mata said: We will destabilize the inflexible plans of the "traditional parties" and eventually threaten the hegemony of those parties.

Our committee, he said, will definitely not be just another committee "without specific gravity" and "without a message." It will be one of the few new ones with deep insights.

The group's governing board, which is composed of 15 members, 5 from each of the sectors that make up the party, was ratified and confirmed in its totality at the national convention. Besides Dr Gehlert Mata, the leaders are the Indian Felix Zarazua Patzan as first subsecretary and Alfredo Hernandez as second.

12336

CSO: 3248/1116

## NEWLY FORMED FDC: 'AN ALTERNATIVE TO EXTREMES'

Guatemala City PRENSA LIBRE in Spanish 19 Jul 83 p 5

[Text]

Manifest of 14 July

To all Guatemalans

We, the citizens who have decided to form and promote the committee for the constitution of the Democratic Civic Front (FCD), address ourselves to all our compatriots, from all social sectors and of all political and religious beliefs, to inform them of the basic aspirations and objectives that motivate us to play an active role in the return to constitutional normality.

1) Most of us have not been politically active at the national level before, though a few of us have taken part in national politics partially, indirectly or sporadically. None of us has made a career of politics, nor do we want to do so once the task on which we are now embarking has been accomplished. Nevertheless, we all share the conviction that Guatemala urgently needs the participation of all its people to achieve the early reestablishment of democracy on the basis of new options. We believe that it is necessary to exorcize the serious dangers that threaten the country's future and at the same time avoid repetition of the cycle of democratic degradation characteristic of our national history.

2) In setting up a committee to create the Democratic Civic Front (FCD), we seek to offer Guatemalans a political option that is different from the traditional ones and altogether free of the ideological extremism that frightens the vast majority of the people and has sown sectarian hatred leading to violence. We seek to offer Guatemalans the opportunity for a civic convergence capable of overcoming the fear, silence and apathy of the citizenry.

3) Recovery of the national economy is without a doubt the most urgent need confronting Guatemala. Past administrative ineptitude and corruption, as well as the perceptible present confusion, have led to the worst economic crisis in the country's modern history, resulting in a pronounced fall in production and investment, discouraging massive unemployment and unnecessary waste of productive resources. In 1983, the average Guatemalan's living standard has declined as compared with the 1979 figure, which signifies 5 years of economic stagnation that could degenerate into an explosion of social tensions and even deeper

misery for the majority of the population. Guatemala needs a policy designed effectively to reactivate the national economy within the international order but without foreign intervention. The Democratic Civic Front will give a leading place in its ideological platform to the formulation and efficient conduct of a dynamic, coherent and nationalistic economic policy.

4) No less urgent than economic recovery is the need to undertake the genuine and permanent pacification of the country. One cannot speak of Guatemala as a unified nation so long as its inhabitants are divided by ideological fanaticism, political intolerance and the demented obsession with exterminating one's enemies. It is essential to put an end to this divisiveness by launching a plan for the pacification of the nation based on a sincere dialog and fruitful reconciliation. It is imperative to prevent Guatemala from being dragged, through its internal divisions, into the whirlpool that is destroying Central America on account of the fateful confrontation between foreign powers that have neither the slightest interest in our future nor the slightest respect for our national sovereignty. The Democratic Civic Front will include in its political platform an overall peace plan that will enable these dangers to be neutralized and will preserve Guatemala's independence.

5) But economic recovery and political pacification are not sufficient in themselves to guarantee that Guatemala's future will be less unhappy than its past. The return to constitutional normality must result in the definitive implantation of the democratic system and the full functioning of social guarantees and civil rights. We must demand of the next popularly elected government a firm commitment to take measures to suppress autocratic presidential rule, officially sponsored sectarianism and disdain for public opinion, which are the principal defects that have corrupted and frustrated the exercise of democracy in Guatemala. We do not believe that it is political naivete to suppose that we are even capable of electing governments that are honest and competent and have sufficient civic courage to respect democratic principles and make them respected by others. The Democratic Civic Front will include in its platform specific proposals to achieve the objective of a true democracy, based on the active and constant participation of all sectors of the nation.

6) Our confidence in the ability of Guatemalans to overcome the economic crisis, political violence and degradation of democracy into which our country has fallen is neither illusory nor demagogic. This confidence is based on Guatemala's inherent strength: the deep roots of its national culture, silent pride of its men and women and providential abundance of its natural resources. It is the inherent strength that must be mobilized by a competent and self-assured leadership before the erosion of recent years succeeds in undermining its bases and it is too late to put Guatemala in a position to fulfill its historic destiny. The Democratic Civic Front proposes to contribute to this urgent national rehabilitation, together with other progressive forces that, like ours, emerge from the present political process.

7) This outline of our basic ideology explains why we have decided to set out on the path that will lead to the creation of the Democratic Civic Front within the existing legal framework in order to arrive at the restoration of the constitution. We accept the challenge of this difficult change, because we have

faith in the vast majority of Guatemalans, who, like ourselves, have no vested interest in political activity and are disgusted by the deceit and manipulation of those who for too long have dominated the electoral process. We want to create a "front," not simply a party, because instead of sectarianism we favor the convergence of all the sectors that share our ideas and concerns. We want it to be "civic," in order to touch the conscience of the civil society that this country has built with great effort and has the moral obligation to defend. And we want it to be recognized as "democratic," so that there may be no doubt about the pluralistic and pacific character of its orientation.

8) Finally, we want to manifest our conviction that Guatemala urgently needs a government with the administrative ability and dedication to service that will guarantee the country's progressive development in all ways. This is a desire shared by all Guatemalans (workers, farmers, businessmen, professional men, etc.). This goal will not be reached through an electoral victory alone but through the active participation of all men and women who have the competence and managerial ability needed for good government.

Only in this way can we avoid the corruption and administrative impropriety that have long hampered the Guatemalan society's progress. The Democratic Civic Front will be ready to achieve a solid electoral victory and install an honest, capable and efficient government.

9) We invite all Guatemalans who are free of political bias to analyze our basic ideology, be mindful of the opportune development of our political platform and accompany us by participating actively in the Democratic Civic Front. In particular, we invite Guatemalan youth, the genuine youth to whom the country's future belongs, resolutely to join this new movement that aspires to insure it a worthy, peaceful and progressive legacy.

Dr Oscar Valladares  
President

Luis del Valle Monge  
Organizing secretary

Dr Oswaldo Chinchilla  
Secretary

Raul Gutierrez

Aziza Musa Maldonado

Eduardo Gonzalez Rivera

Pascual Mendez Escobar

Horacio Ruiz Matamoras

Signed 14 July 1983, 194 years after the Declaration of the Rights of Man

12336

CSO: 3248/1116

## BRIEFS

PETEN HONEY PRODUCTION--Proceeds from the sale of honey, beeswax and pollen produced through bee-keeping operations amounted to 3.6 million quetzals in 1982, vice minister of livestock and goods Victor Manuel Orellana said yesterday at his office. He said that production in the department of Peten was in first place, with 42 percent of the proceeds from such products. This is why, he indicated, a program is being mounted for the development of the nation's apiculture, as well as for the application of technology to this agro-economic activity, which will generate additional employment and foreign exchange income. The official said that last week he visited apiaries in Alotenango, Sacatepequez, where Caritas and the Peace Corps are using appropriate systems and technology to develop a center of beehive production. In this way, he noted, the result has been obtained that the 80 beehives there produce 180 queen bees, which will enable the number of apiaries to be increased. The Alotenango apiary has been used as a training center for the region's farmers, who have thus acquired knowledge that will serve as a basis for strengthening the bee-keeping program. He also said that the office of the director general of fiscal services and the MOSCAMED program will collaborate in this program when it is transferred to the grounds of the Agricultural Technical Institute (ITA) in Barcena, where, he added, there is a laboratory to certify the quality of honey. In addition to the vice minister, Guillermo de Leon, agronomic engineer and coordinator of the MOSCAMED program, Ruben Monterroso Falinas, director of Caritas in Guatemala, and Roberto Leiva Ruano, associate director of the Peace Corps, visited the Alotenango apiary. [Text] [Guatemala City PRENSA LIBRE in Spanish 21 Jul 83 p 2] 12336

REGIONAL MONETARY BOARD AGENDA--The Central American Monetary Council will meet in Guatemala in extraordinary session, chiefly for the purpose of analyzing the isthmus' payment problems. The Central Bank of Honduras has stated that, in the last settlement of accounts, Nicaragua and El Salvador were in debt to Honduras, while Guatemala, Costa Rica and Honduras had positive balances. It was specified that the council will seek means to effect payment arrangements for these debts and to continue compensating for them. According to the Honduran Central Bank, the reason for the difficulties in the Central American Chamber of Compensation is basically the political upheaval that Central America is experiencing, which makes it difficult to obtain credit from foreign commercial banks. It is also said that Honduras, Costa Rica and Mexico are demanding payment from the debtor countries and

and that the Mexicans have proposed a change in the multilateral agreement, while Costa Rica is trying to equalize its trade with Nicaragua so that there will be no balance in its favor. Mexico and Colombia are outside members of the Central American payments system. The fund's board of directors, which is made up of authorities of the central banks, will also try in Guatemala to form a bloc for the next meeting of governors of the Inter-American Development Bank, which will take place in Washington 25-26 July. At this meeting of the Inter-American Bank, a strategy will be developed for the inter-regional meeting to be held in Brussels, Belgium, during the second week of next September. The Central American Monetary Council believes that many of its projects could qualify for international assistance through the Central American Bank of Economic Integration (BCIE) or directly from governments. A request will also be made for financial aid in the amount of 1 billion dollars in balance of payments support, assistance that could be channeled through the five central banks. [Text] [Guatemala City DIARIO EL GRAFICO in Spanish 21 Jul 83 p 4] 12336

NEW PARTY FOUNDED--A new Committee for the Formation of a Political Party was registered yesterday at the Department of the Interior under the name of the Civic Democratic Front (FCD). The governing boards of the new civic group stressed that: "We chose this specific date of 14 July to commemorate the historic Declaration of Human and Civil Rights proclaimed in 1789 during the French Revolution and thereby to emphasize our firmest and most explicit support of the rights of the human being." They added: "We have never involved ourselves in politics, but we regard it as our duty at this time to participate actively in the process that will result in the definite dedication of Guatemala to democracy and to the solution of its grave economic problems which especially affect." [Text] [Guatemala City PRENSA LIBRA in Spanish 15 Jul 83 p 4] 8089

TWO COALITIONS MERGE--The Christian Social Political Front was founded yesterday with the merging of the following groups: the Popular Participation Front, the Worker-Peasant Front, the Ethnic-Indian group, the Ethnic-Garifuna group, the Christian Cooperative group, the Christian Town-Dwellers Movement, the Christian University Youth group and the Christian-Social Movement. The final agreement was reached and the signing of the pact of alliance of the above groups took place under the direction of the leader of the Christian-Social Party, Dr Carlos Gehlert Matta. The ideological bases which prompted the political activities of the new committee for the formation of a political party were reviewed and approved at this meeting. Official approval was given to the name, which will be the "Committee for the Formation of the Christian Social Party." A provisional board of directors consisting of 15 members, on which all of the founding politico-civic groups are represented, was also approved. Gehlert Matta declared: "This political organization is one which brings together on its board of directors for the first time in the political processes of Guatemala, Indians, farmers, cooperative representatives, garifonas (blacks), city dwellers, university students and professional people." The party says that it was founded with this diversity of social groups because it realizes that social, economic and cultural pluralism is on the march today." [Text] [Guatemala City DIARIO EL GRAFICO in Spanish 13 Jul 83 p 8] 8089

## PAPER RAPS TREATMENT OF MIGRANTS IN DOMINICAN REPUBLIC

Port-au-Prince LE PETIT SAMEDI SOIR in French 18-24 Jun 83 pp 3, 26

[Text] Last May 11, the Haitian government officially presented a note of protest to the Dominican Republic after the judicious revelations of the Dominican daily ULTIMA HORA with regard to the treatment inflicted on Haitian farm workers. The note was addressed more particularly to the director of the Dominican State Council of Sugar by Haitian ambassador Molière Duplan.

The same Dominican daily has written that "the police forces chase, detain and deport in the worst conditions humble Haitian farm workers (...)". Following the steps of ULTIMA HORA, the ex-Dominican president, Mr. Joachim Balaguer, went further. Exceeding his limits, he has spoken sharply against the massive emigration of our countrymen which he considers "a peaceful invasion" and has attacked the government of Salvador Jorge Blanco for having made the border too permeable to Haitians.

However, alluding to the increasing concerns of national and international public opinion, the Dominican chief of state has requested that an "in-depth inquiry be conducted in order to provide him with details" as the press has claimed. Thus, all these salvos led to explanations from both sides. The very popular UPA (Patriotic Union), of Marxist persuasion, strikes at the heart of Balaguer's arguments, whom they accuse of wanting to sow dissent between the two governments. In fact, different sectors took part in the controversy. The influential politician of the neighboring country, Mr. Francisco Pena Gomez, has masterfully shot down Balaguer's points of view. According to the latter, the Reformist Party conveys lowly racist opinions about Haitians. Following is the scenario of this matter:

#### A Sea of Difficulties

Here, at the PETIT SAMEDI SOIR, this local squabble leaves us quite indifferent. It remains what it is: a spectacular joust. Because at the moment when the press and the political parties are trying to attract public attention to the question, thousands of our "bracero" countrymen are struggling in a sea of difficulties. Without distinction, all the governments in power in Santo Domingo have always encouraged the illegal exploitation of Haitian workers.

Under the headline "slavery," our colleague "Le Matin," in its comments of 10 November 1982, had already published in full and without commentary, an article depicting the bad working conditions of Haitian farm workers in the "bateys"--excerpted from the London newspaper CARRIBEAN CHRONICLE. According to the British newspaper, the Anti-Slavery Society of London, in its report of April 1982, following that of 1979, had concluded, after exhaustive inquiries, that a Negro slave trade exists in the sugar cane plantations of the Dominican Republic.

What leaves us puzzled is that when the first report appeared, government authorities at the time had reacted vigorously, denying the charges of the English organization. Delegates from the anti-slavery organization, in order to buttress their report with undeniable arguments, had gone to the place and had even visited several factories. They had had official meetings with "braceros," Dominican personalities and members of non-governmental organizations taking care of Haitian immigrants. Their conclusions are categorical: slavery does exist in Santo Domingo. Neither the P.R.D. (Dominican Revolutionary Party) nor the Reformist Party had breathed a word about it.

During the same period, UN emissaries of the ILO (International Labor Organization), on the basis of inquiries, documents and reports, had shed a garish light on what has been called "the Haitian problem." Having been accused, the Dominican government had lost no time in sending to Geneva several of its higher civil servants to answer the charges against it: buying and selling of cheap Haitian labor, trafficking in laborers for the cane plantation of Santo Domingo, violent exploitation of Haitian workers. Sixty-four questions on this issue had been presented to the Dominican representatives. Backed against the wall, the officials of the neighboring republic had admitted to the authenticity of these revelations. This sequence of events thus provides us with a clear explanation of the ignoble operation in practice on the other side of the border. One does not need to read the article in ULTIMA HORA depicting the subhuman conditions in which the cutting of sugar cane takes place to be convinced. The selling of Haitian laborers and their children is practiced over there as it was in the 18th century. Men are sold for 5 pesos each while for 2 pesos, a woman is entirely at one's beck and call. It even happens that some men sell their wives as prostitutes in order to survive for a few days, some people go crazy from too much hunger. They are stolen from, robbed... In this state of affairs, sickness, malnutrition and increased mortality rates are frequent.

Numerous studies conducted by human rights organizations tie the cruel exploitation of Haitian labor to the workings of capitalism operating on a global scale. According to these international observers, 17,000 seasonal workers who cross the border are used in only 3 sugar plants out of 9 and that the other 6 are fed by the great reservoir of manpower (85,000) made up of illegal immigrants. This is why, in spite of all the steps taken by political and religious organizations, the government of the neighboring republic refuses to grant legal status to illegal immigrants who have been in its territory for several years.

## Reality of Work

One wonders moreover about the way the Dominican Party respects hiring contracts. There is a blatant contradiction between the distinct promises of a written agreement and the reality of agricultural work. As everyone knows, every year the Haitian and Dominican governments sign an agreement which, according to official sources, profits both parties. And the Haitian public has noticed the great press protest under banner headlines, the success of the negotiations on Harry Truman Boulevard. This publicity raised everyone's hopes. In fact, reality has constantly shown that the importation of labor and illegal immigration represent the closed field of man's exploitation of man under all the political regimes in the Dominican Republic.

Questions multiply. At the pivotal point of this bitter situation, public opinion counts on the political will of leaders who will give a stamp of legitimacy to this issue to be taken in tow by the will of the Haitian people.

9961

CSO: 3219/39

## IRHC SIGNS COOPERATION AGREEMENT WITH FLORIDA A &amp; M

Port-au-Prince LE NOUVEAU MONDE in French 25-26 Jun 83 pp 1, 8

[Article by Nelson Bell]

[Excerpts] Capital which earns interest under the guise of friendship and coming together between peoples is always a good investment. The city of Cap-Haitien is today experiencing this happy event through its King Henri Christophe Institute University Center [IRHC] which, on Friday, 17 June 1983, signed a "memorandum of agreement" with Florida Agricultural and Mechanical University of Tallahassee, Florida, USA.

The University of Florida

It was represented in these circumstances by its president Mr. Walter L. Smith, Ph.D. and by Mr. Charles C. Kidd, Sr., Ph. P.E., Dean of the School of Sciences at the same university, who were accompanied by our distinguished countrymen Dr. Yolaine Armand, President of the International University Center of Port-au-Prince as well as Dr. Pierre C. Armand, vice-president of the same university center and executive director of the Haitian Foundation for Development [HAVA].

The Assistance Program

What will this assistance, promised a long time ago, and which will allow the University Center of Cap-Haitien to find its cruising speed, consist of? The answer to this question is contained in the "memorandum of agreement" between the King Henry Christophe University and Florida Agricultural and Mechanical University.

The document begins by recognizing that these two university centers represent institutions which intend to promote the development of academic studies in the areas of research and teaching in general. It underscores that the academic program of the Cap-Haitien university has close ties with that of Florida A & M University.

This is why, the document states, efforts of mutual collaboration can be initiated for a lasting cooperation in the fields of education, culture and professional training. The agreement was signed for a duration of five years and is renewable for the same period of time.

Under this agreement, exchanges of professors will occur between Florida A & M University and the King Henri Christophe Institute. Courses for further training have been specifically planned for professors and students of Cap-Haitien in the departments of medicine, agriculture, engineering and pharmacy.

Mr. Walter L. Smith has pointed out that such steps are geared toward firmly placing the university center of the Cape city on the right track so that it can go on its way, since he knows from experience that beginnings are almost always difficult.

What a beneficial manifestation of international cooperation is this fundamental action which, in our era of selfishness and loneliness, shows one of the essential features of solidarity between peoples! What an eloquent testimony to the preeminent role played by the United States of America in the execution of international cultural exchange programs which allow on a yearly basis the other nations of the world to weave reciprocal ties with the great American power!

9961

CSO: 3219/39

## BRIEFS

IDB APPROVES AGRICULTURE LOAN--Yesterday morning, (a representative of) LE NOUVEAU MONDE met at Kennedy International Airport in New York the governor of the Bank of the Republic of Haiti, Mr. Allan Nolte, who was about to take American Airlines Flight 657 to Port-au-Prince. Mr. Nolte has informed our colleague, Jacques Beaulieu, that he was coming back from Washington where Ambassador Cineas and he signed this week, on behalf of the government of Haiti, an agreement for a loan amounting to \$17,600,000 granted by the IDB [International American Development Bank] to the Republic of Haiti. "This financing is for ODVA," stated the governor of the B.R.H. (Bank of the Republic of Haiti). [Excerpt] [Port-au-Prince LE NOUVEAU MONDE in French 1 Jul 83 p 17 9961

CSO: 3219/39

## PRESIDENT APPROVES REORGANIZATION OF SUGAR INDUSTRY

Mexico City EXCELSIOR in Spanish 8 Jul 83 pp 1, 22

[Article by Isabel Zamorano]

[Excerpts] Villa Cardel, Veracruz, 7 July--President Migeul de la Madrid decided to put an end to the bureaucracy, inefficiency and duplication of functions that affected the sugar industry for years, and today he ordered its restructuring, the elimination of the National Union of Sugar Producers and the National Commission of the Sugar Industry (CNIA). He ordered the creation of a single center of responsibility that will be called Azucar, S.A. [Sugar, Inc.] that will concentrate operational faculties, whereas the government will take over the defining of the policies and strategy to be followed in the sector, declared Francisco Labastida Ochoa, secretary for energy, mines and semi-state industry.

He commented that upon restructuring the industry, the federal government will see to it that it acquires greater utility and flexibility in its functioning, more administrative efficiency, all of the functions now in the two existing organizations, an improvement in the standard of living of its workers, increased production and productivity, both in the field and in the factory, and finally, the self-sufficiency of the country in this food branch.

In front of the representatives of the sugar industry, both field and factory, the head of the executive branch signed the decree that established the terms under which the restructuring will take place and the mechanisms that will create the enterprise Azucar, S. A.

Labastida Ochoa affirmed that the restructuring itself does not solve the basic problems that exist in the industry, but the change does, with a more efficient administration, permit one to improve the results of its operation for the benefit of the country and the sector itself and to solve the structural problems affecting its operation.

As stated by Labastida Ochoa, the fundamental aspects of the restructuring of the sugar industry are the following:

A single responsible administrator is created in Azucar, S.A. (the designation has not yet been announced).

Functions are decentralized in the management of the sugar mills to make their operation more efficient and flexible; the regional delegations are strengthened. The restructuring will permit the savings of 1.4 billion pesos a year, avoiding the duplication of functions and eliminating unneeded management positions. Defining the policies and the strategy of the sugar industry will be concentrated in the government and the operational faculties will be in one single organization: Azucar, S.A.

At the same breakfast, CNIA director Luis Rodriguez Duhalde announced that the 1983 sugar harvest reached 2,885,412 tons of cane, which shows that the government, the peasants and the workers can exceed the most ambitious goals when there are incentives for it.

9746

CSO: 3248/1111

## COTTON SHORTAGES AFFECT EXPORTS, TEXTILE INDUSTRY

Mexico City UNOMASUNO in Spanish 21 Jul 83 p 8

[Text] The government will authorize the importation of 20,000 bales of cotton to prevent immediate generalized work stoppages and reduced working days for 45,000 employees of 500 textile companies. It will also levy a 1-percent tax on the value of illegal exports of cotton, inasmuch as contraband detected in recent months has amounted to some 90,000 bales.

The director of the National Chamber of the Textile Industry (CANAINTEX), Cesar Franco, made these announcements yesterday at the close of a meeting held by cotton industrialists, a meeting at which the problems caused by the inadequate supply of cotton fiber to processing plants and the higher cost of the same were discussed. Last year, the price of a quintal of cotton almost doubled, going from 2,230 pesos in 1981 to 6,500 pesos in 1982, based on data from that organization.

Franco explained that as a result of the interview with the head of the Secretariat of Commerce and Industrial Development (SECOFIN), Hector Hernandez Cervantes, on Monday, the undersecretary of foreign trade, Luis Bravo Aguilera, authorized the importation of 20,000 bales of cotton by the parastate company Mexican Commercial Cotton in order to face immediate needs of the textile and garment industry.

Franco said that smuggling and authorizations for more export quotas have caused fiber processing plants to experience an inadequate supply of the product for the past three months.

He said that for the past two weeks, some cotton plants have shut down work, while others have reduced their working days. Still others have moved up vacations for workers because of the lack of raw materials.

Franco added that for the time being, in order to meet the demand of the market, that volume of bales will be imported to prevent further scarcities of the product and an intensification of work stoppages.

Cotton production this year will be an estimated 900,000 to 1.3 million bales and 300,000 bales will be exported, the lowest figures since 1976, a year when 536,000 bales were sold on foreign markets.

The highest volume of exports was in 1979, when 963,000 bales were sold. Since that time, exports have declined, reaching the figure of 300,000 bales which the Secretariat of Commerce authorized for this year. The statistical yearbook of the National Chamber of the Textile Industry (CANAINTEX) projected exports of 450,000 bales for 1983, a figure greater than what was authorized.

Meeting the needs of the domestic market, now reduced by some 30 percent, mainly as a result of the drop in purchasing power, would mean expanding the productive capacity by 25 percent a year.

However, given the level of debt, especially of major enterprises -- some 300, which in turn control about half of the market -- and the lack of operating capital in general, it is impossible to meet the growing demand of the domestic market.

11,464

CSO: 3248/1160

## SECOFIN INCREASES PRICE OF BREAD, TORTILLAS

Mexico City UNOMASUNO in Spanish 5 Jul 83 p 7

[Text] SECOFIN [Secretariat of Commerce and Industrial Development] announced that beginning today the kilogram price of tortillas will be increased by 50 percent (to 15.5 pesos) and that of a piece of bread (white, wheat) will rise by 100 percent (to 2 pesos). The cost of gasoline and diesel fuel will remain unchanged, at least for the next 3 months.

This year, according to a communique by SECOFIN, the federal government will subsidize the production of bread and tortillas with 72 billion pesos, since it has to do with articles of mass consumption, and it will put into effect integrated programs to promote both agroindustrial systems.

Several hours before the announcement was officially made public, SECOFIN head Hector Hernandez Cervantes was approached by several reporters, and, asked about the price increases for tortillas and bread, he inquired, "did the lefty Valenzuela pitch yesterday." In view of the reporters' persistence, he said only that the increases for these basic products "are a fact" and would be made known "in good time."

In a lengthy communique, SECOFIN revealed the reasons for changing the official prices of tortillas and bread, as solicited by the producers of these articles of mass consumption. It also made known the results of the 3-month analysis of the Intersecretarial Commission that is reviewing the price structure of PEMEX products.

"In an inflationary situation such as that being experienced by our country," adds the document, "it should be general policy that the increases in the costs of goods and services, particularly in those for mass consumption, be distributed in the most equitable proportion possible among all of the sectors that take part in their production, distribution and consumption."

It also points out that there were four reasons that brought about the adjustment in the price of these products of mass consumption:

A) The adjustment in the support prices for agricultural producers, particularly in corn and wheat.

B) The financial capacity of the public treasury to subsidize the population's consumption.

C) Last January's adjustment of minimum and contractual salaries and June's recent adjustments.

D) The level of consumer prices for tortillas and bread, including processing costs.

In the case of tortillas, SECOFIN indicated that the price adjustment was basically due to the increases in the corn support price, which went from 8,850 pesos per ton to 16,000 pesos, or 80.0 percent, in addition to its industrial processing costs.

Without a change in the tortilla price, this year's direct government subsidy would rise to 70 billion pesos, "causing a high and insupportable public finance cost and accentuating the dishonest attitudes of speculators."

The same agency notes that some owners of tortilla shops have been illegally selling their contingents of subsidized corn at above the official price. CONASUPO [National Company for Basic Commodities], it added, has a cost of 20.50 pesos per kg of corn, mainly due to imports. With the adjustment, the government will subsidize the production of tortillas with only 47 billion pesos.

Likewise, in the case of bread and with the same arguments, SECOFIN points out that there will be an overall subsidy of 25 billion pesos compared with the 40 billion pesos that would be distributed if the prices remained unchanged.

The wheat support price went from 6,930 pesos to 14,000 pesos per ton last year, and there was also an increase in the industrial costs. Thus SECOFIN decided that the price of a piece of bread should change from 1 peso to 2 pesos, avoiding larger subsidies and thus eliminating the "grave risk" that wheat would continue to be diverted to animal feed and socially undesirable industrial uses.

The programs in support of the agroindustrial systems corn-dough-tortilla and wheat-flour-bread will include the following: modernization of the respective industries; mechanisms to assure that the resources committed by the federal government go directly to consumers; seeing that the subsidies primarily benefit the groups and regions with the greatest need; seeking to perfect the procedures for applying the subsidy and avoiding diversion.

#### Gasoline and Diesel Fuel

At the same time, it reported that "with the intent of diminishign inflationary pressures in the short term," the prices of gasoline and diesel fuel will remain unchanged for at least the next 3 months. Along with the subsidies for bread and tortillas, it adds, "this will assure that there is no additional impact in the levels of inflation and in consumer expenditures, for one of the fundamental problems that we need to face at a time of crisis is that of maintaining a better relationships between salary levels and prices."

## UNAM STRIKE ENDS WITHOUT SALARY INCREASES

## Strikers Vote To Return

Mexico City EXCELSIOR in Spanish 28 Jun 83-pp 1, 16

[Article by Antonio Ortega]

[Excerpts] Workers of the National Autonomous University of Mexico [UNAM] decided yesterday to end their wtrike which disrupted the university activities for 27 days and, early today, representatives of these workers went to the Secretariat of Labor to sign, in the presence of the authorities, the document calling off their strike. A total of 9,516 votes were cast, with 5,929 votes for ending the strike, 2,780 for continuing it and 807 abstentions.

The workers members of the STUNAM [Trade Union of the National Autonomous University of Mexico] will receive 50 percent of the salaries due to them but their demand for an emergency salary increase was rejected on the grounds that "the UNAM does not have the money to pay for it because it is almost entirely dependent on a grant from the federal government which does not provide for emergency increases."

As you may remember, and according to Evaristo Perez Arreola who is the leader of the STUNAM, the union exhausted every recourse to obtain this salary increase and a few hours before calling off the strike it was reported that the movement had not succeeded in shaking the government's economic policy viewed as being repressive towards the university workers.

After saying that their demands were justified, that they were not demands of a political nature but simply a labor action to offset the deterioration of the salaries, Perez Arreola rejected the charges that the STUNAM was trying to infringe on the autonomy by setting up a coalition, a pressure group to have its demands satisfied, a group connected with the activities of the leaders of the PRT [Revolutionary Workers' Party], the PSUM [Unified Socialist Party of Mexico], and the SUNTU [Sole National Union of University Workers] and with labor unions representing sectors which have nothing to do with the university sector, and he firmly stated that the one who was infringing on the autonomy was Rector Rivero Serrano.

In the opinion of the union leader, a rector who understands the meaning of autonomy must be able to bring the university to adopt an independence stance with regard to government measures.

"The policy of demurrer followed by the government and by the university authorities represents one of the darkest chapters in the history of the university and of the workers' movement in general."

When the damage caused by the 27-day strike was pointed out to him, Perez Arreola said: "The university is a center of higher education in the country and we are very anxious for its activities to resume...." He then added that one cannot lose one's head because the purpose of the university is very important and the workers have a great responsibility.

He announced that today, 28 June, a silent demonstration will take place starting at 1630 hours and marching from the Monument of the Revolution to the Zocalo "and this demonstration will serve to express our protest against the discriminating treatment given to our university workers."

Meanwhile, the Independent Trade Union of Workers of the Metropolitan Autonomous University which, initially, was reiterating its demands for 40 percent salary increases has now agreed to discuss the offer of half of the pending salaries, providing that the workers desist from going on strike and it is reported that the decision of the majority will be announced this morning.

#### UNAM Rector Comments

Mexico City EXCELSIOR in Spanish 29 Jun 83 pp 1, 9, 29

[Article by Antonio Ortega]

[Excerpts] Yesterday, as the university went back to work after 28 days of inactivity, the rector of the UNAM, Doctor Octavio Rivero Serrano, made an appeal to work vigorously, in amicable terms and mutual understanding, with absolute respect for everybody's worth and for the plurality of ideas.

"In this diversified university, teachers, students and workers constitute the diversified wealth of this institution providing the most essential element of university life--diversity of thought.

Rivero Serrano stressed that he respects the right to strike but when the exercise of that right clashes with the fundamental rights of the university, with its essential tasks, then "I am bound to make sure that these tasks are carried out."

After noting that he is not opposed to the unions, the rector of the UNAM said:

"I have the highest respect for all parties which participate in the political life of Mexico but if any of these parties tries to use the university to achieve its own ends, I must and I will defend the university."

He explained at a press conference that although in the present case they had not been able to secure the necessary funds to satisfy the demands of the STUNAM workers, who asked for salary increases of 40 percent, it was not because their needs were overlooked but simply because the budget approved by the University Council did not provide the means to pay for salary increases.

The rector said that if the budget allocated to salaries increases then the university will come to a standstill because it will not be able to provide funds for its academic tasks as it now does.

#### What Was Lost Is the Most Valuable Commodity, Time

Commenting on the effects of the strike, the rector said:

"Of everything we have lost as a result of the strike, the most valuable thing is time. We are going to try to make up for the time lost with the help of the experience of our workers and scientists; we will do our very best to fulfill our obligations. Teaching and training at every level will have to be readjusted in the academic and administrative areas with regard to the holiday period and we will spend with the students the amount of time needed to complete the semester work without lowering the quality or the goals set for this semester.

Besides, the research work carried out in our university represents more than half of all the research work done in the country and, right now, everybody realizes how important that research and technology in all fields is to help us achieve scientific and technological independence for our country."

He went on to explain that losses directly attributable to the strike were estimated to stand between 30 and 40 million pesos a day and to this must be added the indirect losses such as work which was not done in the sphere of teaching, research and dissemination of culture.

On the question of changes in the timetable, he said that "the holiday period will not be between the 4th and 17th of July as scheduled." (The tentative dates mentioned for the holiday period are between 24 July and 8 August.) In other words, he added, the holidays will be pushed back long enough to allow for some progress instead of going back to work for just 1 week before breaking up.

#### On Budget Matter, We Decide

"Some people mistakenly said that we are not autonomous because we are dependent on a budget. They are wrong. What makes us autonomous is the fact that together with the University Council, which approves that budget, we are the ones who decide how the money will be spent.

Another point of interest is the fact that some sectors of the university community stood behind us understanding the problem and they supported the solutions and decisions adopted by the central administration and by the rector's office. Another aspect of the lessons which the university has drawn from its

recent experience is that as long as this institution remains exclusively dedicated to its essential tasks, it grows and becomes stronger. But when, for whatever reason, it is disrupted by an internal factor which does not answer the basic purpose of the university, then problems can arise.

Finally, Rivero Serrano explained that the UNAM, through its Department of Projects and Legal Studies, the Office of the General Attorney, Ignacio Carrillo Castro, and other university jurists, is looking into possible situations which are legal but could lead to conflicts in order to prevent these situations. "We try not to violate the rights of the workers, such as the right to strike, but the university is trying to find a formula by which that right to strike will not come into conflict with or infringe upon the objectives of this institution, the academic objectives assigned to it."

8796

CSO: 3248/1084

## FARMERS SAY POLICE STOP TRUCKS FOR BRIBES

Mexico City EXCELSIOR in Spanish 4 Jul 83 pp 5, 26

[Article by Federico Ortiz, Jr]

[Text] Despite the morality campaign, it still costs an average of 10,000 pesos in "bribes" to the police of the State of Mexico and the Federal District to take a load of food from the booth of the Mexico City-Queretaro highway to the supply center in Iatapalapa.

This was the complaint of a group of farmers lead by Manuel Aguilar, who petitioned the federal courts to help in avoiding those police levies along the approach route to the principal market of the Federal District.

In their petitions for aid, the plaintiffs explain that despite the fact that they are moving their trucks with all of the documentation in order and are obeying all of the traffic rules, they not only are victims of extortion but also of blackmail, for if they refuse to turn the levies over to the police that patrol the State of Mexico or the Federal District, they are threatened with "being loaded with drugs."

Manuel Aguilar indicated that on the last occasion whey he came to Mexico City with a truckload of red peppers from his ranch in Cortazar, Guanajuato, he was stopped some 10 consecutive times by patrol cars of the State of Mexico and the Federal District along the stretch of highway going into the city and along the streets and avenues or axes of the Federal District, en route to the supply center and even arriving at it.

He added that especially in the early morning, the patrol cars of both entities are very active, hunting for trucks from the interior with all sorts of food--greens, vegetables, fruits and other products.

Good Business for "Guides"

The Farmer Aguilar said that the situation is so desperate that at the booth of the highway between Mexico City and Queretaro, near the town of Tepozotlan, there are alert "guides" that charge the truck drivers 500 pesos to take them through streets where there are no patrols posted, the occupants of which demand payments of between 500 and 1,000 pesos each time.

The farmers indicated that it is urgent that the authorities interfere in the matter and investigate these cases of extortion against the truck drivers, many of whom, faced with so many assaults, have quit bringing their goods to the supply center.

9746

CSO: 3248/1111

## LEADER ANNOUNCES CTM PLANS TO PURCHASE COMPANIES

Mexico City UNOMASUNO in Spanish 4 Jul 83 p 1

[Article by Ubaldo Diaz]

[Text] Yesterday, CTM [Confederation of Mexican Workers] leader Fidel Velazquez affirmed that the organized labor movement, especially the CRM, will designate more than 2 billion pesos for the purpose of acquiring some public and private enterprises.

He also affirmed that the country's largest labor organization is in a position to open other industries, with the purpose of contributing to defending the salaries of the working class.

Velazquez also said that the showcase companies National and Alumex are among the enterprises that the CTM will be able to buy.

In addition, he said that the private companies will be acquired through Banco Obrero [Workers Bank], and the state enterprises through the National Financial Company and the Mexican Credit Association, organizations under the state itself.

Francisco Labastida, secretary of energy, mines and semi-state industry, announced recently that state-managed enterprises that are not vital for national development would be up for sale.

Velazquez argued that the measures would be positive for thousands of workers who would become owners of their means of production and who could contribute to creating productive sources of work.

In addition, the CTM leader insisted on pointing out that it is necessary to limit the increase in prices and salaries, to make a truce to control and manage inflation, because in this crisis it is the worker who is hurt the most.

He also stated that for the moment he does not anticipate that a new emergency wage increase will be asked for, but he noted that merchants have shot prices up to a very dangerous level, and therefore the authorities should intervene as soon as possible.

9746

CSO: 3248/1111

## CITY LEADER DISCUSSES CHIAPAS SEPARATIST MOVEMENT

Mexico City EXCELSIOR in Spanish 4 Jul 83 p 33

[Article by Victor Payan]

[Text] Tuxtla Gutierrez, Chiapas, 3 Jul--A campaign to awaken the latent separatism of Chiapas state has been undertaken by a coalition of leftist parties in the Soconusco area. Employing the argument that the "central government has used Chiapas as a source of wealth--agriculture, livestock, petroleum, coffee, electricity--without ever providing an effective answer to its problems," they have urged support for a movement to declare the independence of the area. This charge was made by Antonio del Pino, municipal president of Comitán.

The campaign, which has led to a silent debate in the local communications media and in political circles, will reportedly be extended to the entire southwestern region of Mexico, according to its promoters, who state that they have the support of "important" representatives of the people and of "active regional groups" in promoting the establishment of an "independent republic" which would align itself with the "fraternal revolutionary movements" of Central America.

Nevertheless, Dr Javier Coello Trejo, the secretary general on the staff of the governor of Chiapas, says, "this is a movement of no importance. In no way would a separatist movement, which has no basis for existence, prosper in Chiapas. This would not be the first effort to separate Chiapas from Mexico which ended in failure. Remember that on 8 August 1821 Fray Matias de Cordoba signed a proclamation of independence, as a consequence of the spiritual turmoil of the time. Nevertheless, this separatist movement came to nothing, and Chiapas was definitely annexed to the rest of Mexico in 1824. The fact is that we, the people of Chiapas, could not feel that we are anything by Mexicans. We are proud of being Mexicans and are ready to defend that view."

Coello Trejo also pointed out that the "Chiapas Plan," jointly prepared by the government of President Miguel de la Madrid and the state government of Gen Absalon Castellanos Dominguez, and with a total investment in 1983 of 94,897,000,000 pesos, will be the determining factor in integrating the state definitively with the rest of the country. This will make any interest in separatism a sterile exercise.

Nevertheless, it is a fact that throughout its history Chiapas has been on the sidelines, compared to the rest of the country. This has been a consequence, in particular, of the lack of communications and the mountainous terrain. It was not until the 1970's that the federal government, then under President Luis Echeverria, saw that this state contained a great reserve of natural resources which could be used to assist in the development of the country. This began to change the previous attitude of neglect of Chiapas, but it did so with such an impact that it upset the balance of regional life--socially and culturally, as well as politically. For example, the projects to build the Raudales de Malpaso and Nezahualcoyotl dams made it possible to bring 1 million hectares of land back into production. However, the huge federal government investment, the creation of jobs, and the explosive rise in taxes created a problem of inflation, shortages and frustration, due to the impossibility of absorbing the available manpower once the construction activity was over. The workers were left without jobs after they had become accustomed to high salaries.

Later, in 1973, the hydroelectric projects of Angostura, Chicoasen, and Itzantun were begun. Almost at the same time hordes of Pemex [Mexican Petroleum Company] employees arrived in the area to begin exploration activity in the Reforma oil field. They brought the Mexican petroleum "boom" in definitive form.

The cost to the state of the CFE [Federal Electricity Commission] and Pemex projects, with their investments of millions of pesos per day, in an area which used to live practically in a self-sufficient way, was substantial, as Eduardo Robledo says. He is the president of the Chiapas State Executive Committee of the PRI [Institutional Revolutionary Party] and is a student of regional problems. He says: "In the case of the Angostura hydroelectric dam project the agricultural and livestock sector lost 64,000 hectares of first quality land. Six complete towns were removed from what would be the reservoir behind the dam and transferred to different places, with serious political and social consequences. Moreover, the additional monetary influx, for which the local economy was not prepared, generated strong pressures on the local supply of goods and services, galloping inflation, and shortages which still exist because of the construction of the Chicoasen dam. These major projects have led to an inflationary escalation which is greater than the national average and which is becoming a serious problem for social stability, since it has not been possible to give back to the farmers and other local people the purchasing power which they temporarily enjoyed."

In addition to that the majority of the federal development projects in Chiapas have not brought the benefits hoped for. That is the case with Puerto Madero, on the south coast. The development of this port, which is considered an axis of support for regional infrastructure, has experienced serious limits on its use and on the radius of its positive influence. The same thing has happened with dozens of schools, rural clinics, sawmills, and agro-industrial projects, which are inaugurated ceremoniously during trips by the president or by the governor and members of congress and then remain there, not fully completed, only partly used, and of no concrete benefit to the people.

The fundamental problems of Chiapas, in the view of Eduardo Robledo and other PRI supporters, may be summarized in the following ways:

- 1) Almost total economic dependence on basic agriculture and animal husbandry, with not serious prospects for industrialization.
- 2) Sharp regional contrasts, particularly between the areas which have been the site of federal development activity and those which have remained isolated, occupied with their traditional activities.
- 3) A serious contrast between the competitiveness and productivity of large-scale farmers, who can undertake high technology production, and the agricultural practices of ejidos, which are now left out on the fringes of the economy and have little access of official credit sources.
- 4) Movements of migratory workers from other Mexican states and from Central America, which have already begun to generate problems in the fields of health, nutrition, and education, but above all are producing imbalances in land tenancy and use.
- 5) An impressive state of crowding in traditional residential areas and a consequent surge of urban sprawl in the cities.

5170

CSO: 3248/1112

## FINANCE MINISTER DISCUSSES BANK COMPENSATIONS

Mexico City EXCELSIOR in Spanish 2 Jul 83 pp 1, 17

[Article by J Jesus Rangel M]

[Text] After stating that it is impossible to determine overall value for compensation purposes and stating that compensation will be gradual (beginning with four banks), the Secretariat of Finance and Public Credit announced yesterday [1 July] the general criteria that will be used to repay the former owners of private banks. Shares of stock and bond coupons will be exchanged for special, interest-bearing government bonds which can be traded on the Mexican Stock Exchange [Bolsa Mexicana de Valores].

Without affecting the Federal Expenditures Budget the bonds will be issued in a quantity sufficient to cover the compensation program, plus the capitalization of the interest accrued from 1 September 1982 to 31 August 1983. The bonds will have a grace period of 2 years and will be redeemed annually over a period of 7 years. The first capital repayment will be made on 1 September 1986, and the first payment of interest will take place on 1 March 1984.

The indemnification rules will be published next Monday [4 July] in the DIARIO OFICIAL DE LA FEDERACION [Federal Bulletin], signed by Jesus Silva Herzog, minister of finance and public credit, on behalf of President Miguel de la Madrid. In the rules it will be expressly stated that these bonds will be treated like bank deposits for taxation purposes and that interest will be payable quarterly on unpaid balances.

The Interministerial Committee on Bank Compensation, which has already been established, is charged with studying and making recommendations so that decisions may be made on the best use that can be made of the assets of the nationalized credit institutions, consisting of property, investments, or securities related to non-credit operations.

The Secretariat has stated that the studies and decisions relating to the compensation of Banca Serafin, Banco Nacional de Mexico, Banco de Oriente, and Banco del Atlantico have been practically completed. As the analyses of the rest of the banks affected by expropriation in September, 1982, are completed, the results will be made public.

The Secretariat indicated that the completion and publication of the respective agreements, the requirements of the law will have been met, as well as the obligation of the state to inform the public, with complete frankness, regarding the actions of the government. In this way the administration of President Miguel de la Madrid is keeping the commitment flowing from the nationalization of private banks, in strict accordance with the laws which control the social and institutional life of the country, in the same way as when the expropriation of the petroleum industry and the nationalization of the electric utility industry took place.

The Secretariat of Finance and Public Credit pointed out that the compensation process which has been approved is considered a fair one for the satisfaction of the legitimate interests of those who were stockholders of the private banks. Furthermore, the right to compensation of the stockholders in the nationalized banks will be respected. Institutional channels and expeditious mechanisms will be set up to make possible the full exercise of those rights.

The Secretariat of Finance and Public Credit also stated that in the compensation process an effort will be made to make this program fit in with the general strategy which the government has adopted for the economic reorganization of the country. This makes it essential "to reconcile the interests of the private parties affected by the expropriation of the private banks with those of the nation." That is why the periods of grace have been authorized for capital repayment and the payment of interest.

The Secretariat of Finance and Public Credit, based on the tax returns and on the other documents presented in that connection by each banking institution and in accordance with the decision made by the Technical Valuation Committee, will determine the amount to be paid for each expropriated share of stock, as of 31 August 1982, and will order publication of the amount in the DIARIO OFICIAL and in two nationally-circulated newspapers.

#### Meetings with Stockholders

The Secretariat said that meetings have been held with representatives of the former stockholders of each bank, in order to ensure the proper adjustments have been made, by reason of their knowledge and information, taking properly into account their actions in administering the banks which have now been nationalized.

The Secretariat added that in the final phase of the process the Technical Valuation Committee is making the technical valuation decisions, which will reflect the results of the examination of the accounts, the adjustments made, and the final valuation made.

The Secretariat stated that as a result of the procedure followed it could turn out that the total value for compensation purposes "might not be the same as the book value of the capital which the banks carried in their records as of 31 August 1982. Any difference would be due to adjustments made in terms of the situation affecting each bank and the characteristics of its assets and liabilities.

For example, the Secretariat mentioned the revaluation of buildings and other property owned by the banks, as well as some adjustments made in the banks' credit portfolios and in terms of non-recuperable debts.

The Secretariat pointed out, as EXCELSIOR has already reported over the past few weeks, that payments under the compensation program will not be in cash but rather in the form of "specially issued bonds which will be called 'Federal Government Bonds for the Payment of the Bank Compensation Program of 1982.' These bonds will be issued in accordance with Articles 1, 2, 4, and 5 of Section II of the General Law on the Public Debt. The bonds will have the same tax status as money in term bank deposits.

The fact that the bonds will be issued in the amount necessary to cover the compensation program, plus the capitalization of the interest accrued from 1 September 1982 to 31 August 1983, is due to the circumstance that almost 1 year will have passed between the date of publication of bank expropriation decrees and the dates when the bonds will be delivered to those entitled to them.

#### Budget Will Not Be Affected

The Secretariat of Finance and Public Credit emphasized that the bonds will accrue interest on the unpaid balances, and the interest will be paid quarterly. The first payment of interest will take place on 1 March 1984, including the interest accrued in the 6 month period from 1 September 1983 to 29 February 1984.

In this way, the Secretariat explained, the payment of accrued interest will not affect the Federal Expenditure Budget for 1983. Appropriate adjustments will have to be made in the budgets for the following years. In accordance with the 6-year spending programs of the administration the bonds will have a grace period of 2 years, and there will be 7 annual amortization payments.

Therefore, the Secretariat stated, the first amortization payment will take place in September, 1986, when, in accordance with the provisions of the National Development Plan, "the economy of the country will have improved."

The Secretariat referred to the problem of determination of the rates of interest on the bonds referred to. It pointed out that it had been decided to include interest derived on the basis of the arithmetical average of interest rates on 90 day bank deposits in effect during the 4 weeks prior to the corresponding quarter. The interest rate applicable to the period from 1 September 1982 to 31 August 1983 will be calculated in the same way.

The Secretariat noted that the bonds will be negotiable, that they will be included in the National Registry of Securities [Registro Nacional de Valores e Intermediarios], and that they can be quoted on the Mexican Stock Exchange. The bonds will be made available gradually, as the amount of compensation for each bank is determined. This means that compensation will be handled gradually, in accordance with schedules set up for each banking institution.

The Secretariat pointed out that the Fiduciary Committee for the Payment of Bank Compensation [Fideicomiso para el Pago de Indemnizacion Bancaria], in the exercise of its task, may entrust the Institute for the Deposit of Securities [Instituto para el Deposito de Valores] with the management of these bonds. In the same way it will provide instructions to banks and stock and bond brokers on the handling of documentation for payment. In this connection it may decide on using the previously mentioned Institute for the Deposit of Securities with performing this function.

The Secretariat of Finance and Public Credit indicated that the right to exchange the bonds will cover a period of 2 years from the date of publication of the value of the compensation to be paid for the expropriated shares, in accordance with the provisions of Article 40 of the Law on the Federal Treasury.

The Secretariat considered that the value of the compensation to be paid is the equivalent of the adjusted book value of the capital of the nationalized institutions. Therefore, the value [patrimonio] of the public sector has been increased by the capital of the expropriated credit institutions. "The registration of the obligations (bonds) necessary to pay for this acquired value" thus is made explicit.

#### Balanced Accounts

The Secretariat commented that from the point of view of national bookkeeping the various accounts will be in balance: in the assets of the public sector will appear the expropriated value, and the corresponding obligations for the issuance of bonds to pay for the compensation program will appear under national liabilities. Elsewhere the private sector will include in its assets the value of the bonds issued in exchange for the capital which they had invested in the expropriated institutions.

The Secretariat also stated that the payment of interest on the bonds issued will increase the total payments under the indemnification program. It said: "Nevertheless, the book value of the banks will increase each year due to dividends and revaluations of their assets, not only during the period when interest is paid on the bonds issued under the compensation program, but also in later years."

Thus, 7 months after the present administration entered office, it is already in a position to complete the process of compensation, which is not a simple matter and which requires meticulous and extensive work on the part of a group of civil servants.

These officials are working in the Interministerial Committee on Bank Compensation, the Technical Valuation Committee, and the Fiduciary Committee for the Payment of Bank Compensation. The first of these organizations is a consultative group made up of the ministers of finance and public credit and programming and budget, and the Federal General Comptroller's Office [Controlaria General de la Federacion], as well as the director general of the Banco de Mexico.

The Interministerial Committee for Bank Compensation has already expressed its views on the general lines which should be followed in the payment of the appropriate compensation. It is charged with making studies and recommendations to determine the best use which could be made of the nationalized credit institutions.

The Technical Valuation Committee will help the Secretariat of Finance and Public Credit to determine the compensation to be paid. It is made up of representatives of the Secretariat of Finance and Public Credit, the Banco de Mexico, the National Banking and Insurance Commission, and the National Securities Commission. It will provide technical judgments on the valuation of the shares of stock in terms of the adjusted book value of the capital of the nationalized banks on 31 August 1982.

For its part the Fiduciary Committee for the Payment of Bank Compensation, in which the Secretariat of Programming and Budget will participate as a trustee on behalf of the federal government and the Banco de Mexico will participate as an additional trustee, will have the function of making the compensation payments and handling the administrative mechanism to permit the interested parties to prove their right to receive such payment.

5170

CSO: 3248/1112

## CAPITAL MAYOR SAYS PEACEFUL DEMONSTRATION PERMITTED

Mexico City EXCELSIOR in Spanish 23 Jul 83 pp 1, 10

[Article by Isabel Zamorano]

[Text] In Mexico, there is no repression or heavy-handedness against those who demonstrate their inconformity or dissidence. The current administration will allow all kinds of expression, provided that the groups involved do not disturb the pace of residents of Mexico City or violate the rights of third persons, as stipulated in the constitution, Ramon Aguirre Velazquez said yesterday.

In a statement made during the tour which President Miguel de la Madrid made of the delegation of Iztapalapa, the head of the Department of the Federal District said that the events which occurred on Thursday at the Reforma and Insurgents traffic circle between professors and students of the Teachers Training College and police "was a dispersion of persons disturbing both traffic in the city and public order."

The regent added that "neither now nor in the future will city authorities commit acts of repression. Rather, they will only carry out action aimed at protecting the citizenry, which is their obligation."

Aguirre Velazquez added: "The best confirmation of the city government's willingness to allow all demonstrations as long as the public order is not disturbed was seen yesterday afternoon, when, in an orderly fashion, part of those same elements that had been upsetting normal traffic at Reforma and Insurgentes gathered together at the Juarez hemicycle, where there was no disturbance of order because their conduct did not bother the citizens."

Aguirre Velazquez' statement concerning the incidents two days ago emphasized the following:

Authorities "are completely willing to dialogue with all population groups and on Thursday, the citizens of the Federal District were witnesses of the fact that for over four hours, through peaceful means and using institutional channels, we were able to eliminate differences and have talks, which is the procedure we believe is most fruitful in the solution of any problem.

"Despite that insistence that there were representatives of the Department of the Federal District from 9:30 in the morning until after 1:00 in the afternoon, we were not heard. On the contrary, we were received with hostility, insults, a complete lack of respect for authority. In the face of the traffic chaos and disturbance of order in a large part of the capital, we were forced to disperse demonstrators peacefully, without using any other elements than the orderly action of the police of the Federal District."

Aguirre Velazquez said that people must understand that "the responsibility of the government of the city is with the majority of society, that there are proper institutional channels for resolving controversies, that we are and will always be willing to engage in dialogue, and that the only thing the authorities want is for people to use the channels which the Mexican Revolution has set up with so much work and sacrifice for so long, in order, as civilized persons, to reflect our respective interests."

Ramon Aguirre denied statements that the police acted with violence in the incident. "We have films from the events which will show to anyone interested the way in which the dispersion took place. On the contrary, the aggression was aimed at cyclists, first of all, and there necessarily has to be respect for order when there is a disturbance of situations of normality, peace and tranquillity."

Aguirre Velazquez did not give credit to those referring to police violence. He said that "there may have been one police officer and unfortunately, events always occur which we, the authorities, cannot control confronted with the reactions of citizens."

He said that he did not know if there were any persons wounded because no one wished to be attended to at institutions which the government of the city and the country have for such purposes.

Asked whether anyone had been arrested, he said: "I do not yet have the exact number of those arrested, or indeed, if any were, because such persons would have been turned over to the Office of the Attorney General."

11,464

CSO: 3248/1160

## TROMEX CONTRACTS PROVOKE CROC-CTM VIOLENCE

Monterrey EL NORTE in Spanish 20 Jul 83 p 1B

[Text] CROC [Revolutionary Confederation of Workers and Peasants] has once again resorted to trade union violence against TROMEX [expansion unknown] and the El Carmen y Lux Metallurgical Consortium in an attempt to gain the collective labor contracts of those enterprises.

CROC workers yesterday broke into the facilities of TROMEX, causing damage and beating up four workers.

The owner of the factory, Alfonso Serna Villarreal, said that the governor of the state has lost his authority in once again permitting violence in inter-union conflicts.

At 0645 hours in the morning, a group of CROC members headed by brothers Agustin and Ramon Serna Servin broke into the factory, hauled out 70 workers on the first shift and beat up four others, the owner said.

Serna Villarreal protested the "peculiar way" in which CROC claims control of the collective contract which the CTM [Confederation of Mexican Workers] has had for a long time.

"Agustin Serna Servin arrived accompanied by trucks and clubs and immediately hoisted the banners of his confederation, alleging that he would personally not allow anyone to work or to do anything because he was in command," Serna Villarreal said.

He added that glasses and cups were stolen and the kiln shut down, causing two motors to burn out. This meant the possibility of an explosion and forced workers to go to their units.

Following these actions, TROMEX, which makes items of glass, indefinitely halted operations as a means of safety, the owner said.

"This endangers an export contract we won over companies in Japan and Taiwan in order to sell to the United States products made of glass that would bring in some 12 million pesos a month," he said.

He recalled that the conflict began when ten workers incited others to join CROC, to the displeasure of CTM authorities, who in turn prohibited the enterprise from employing them, despite the insistence of Hector Maldonado, head of the Conciliation board.

He said that on Friday, before Conciliation officials, the representatives of both confederations met to set the date of the meeting for 21 July.

The workers beaten are Alejandro Campa, Ricardo Borja, Javier Padron and Miguel Lara Salazar. The CROC members withdrew after state public security officials came on the scene, the owner of the company said.

#### Strike at El Carmen

At 1600 hours yesterday, CROC hoisted banners at the El Carmen Metallurgical Consortium claiming control of the collective contract which it wishes to take away from the independent unions.

Eleazar Ruiz Cerda, CROC official, made this announcement and explained that workers at that factory, located in El Carmen industrial city, want to join CROC.

He added that the enterprise had laid off workers sympathizing with CROC because the collective contract was never registered with the Conciliation Board.

He said that owners refuse to negotiate with trade union representatives concerning the new collective contract, as a result of which the 6-day warning of a strike ended yesterday at 1600 hours.

When asked about the incidents at TROMEX, Ruiz Cerda said:

"There was no violence or the slightest friction. We are only claiming control of the collective contract.

"The workers did not know that there was a collective contract only protecting the enterprise."

He said that the conservative union of the CTM violates the right of trade union affiliation of the workers and blamed the owner of the company for paying the police to harass sympathizers of his union.

#### Gangsterism

The Employers Center yesterday accused CROC for "using criminal procedures" in order to gain the collective labor contract of the enterprises.

Mario Garza Gonzalez, president of that business organization, said that the city has once again been hit with a climate of insecurity when CROC kidnaped 80 workers from the Lux company.

"That action runs counter to the policy personally implemented by Governor Alfonso Martinez Dominguez," he said.

He said on Wednesday that CROC leader Paulino Santillan posted himself at the gate of the company, accompanied by five buses, ten taxis and 550 clubs and proceeded to intimidate and beat up workers, whose union belongs to the Federation of Autonomous Trade Unions.

"They took them by force to the CROC headquarters to make them sign, even with fingerprints, so that they would join the organization," he said.

Garza Gonzalez said that the leader of the union was beaten and added that despite the fact that guards were stationed at the company, CROC continues to threaten workers so that they will give it control of the collective contract.

11,464

CSO: 3248/1160

## COMMISSION DIRECTOR DISCUSSES MEXICO VALLEY POLLUTION

Mexico City UNOMASUNO in Spanish 5 Jul 83 pp 1, 23

[Article by Marco A. Mares]

[Text] The Valley of Mexico has lost 99 percent of its lakes and 73 percent of its forests, and 71 percent of its soil is in the process of advanced degradation. In the same way, in the Federal District the fauna has been devastated and the biological balance has been upset, which has caused plagues and infestations to crop up. Until now the growth of the city has been huge and anarchic.

The director of the Coordinating Commission for the Agricultural Development of the Federal District, Juan Rodriguez Jaquez, described the ecological situation of the metropolitan area in these terms yesterday before President Miguel de la Madrid.

The chief of the executive branch made a 5-hour working tour through the southeast of the Federal District, during which he set in motion the programs and actions directed towards reducing and controlling pollution and restoring the ecological balance of the Valley of Mexico.

In the Nezahualcoyotl nursery, on the Chalco canal--the first point on the itinerary--the official of the DDF [Federal District Department] stated that the disproportionate exploitation of natural resources and environmental pollution, produced basically by industry and transport, constitutes one of the most acute problems faced by the metropolitan area.

Further on he divided the problems of the Federal District into five: agricultural, forestry, farming and cattleraising and social. On the first point he said that the peasants who were benefited by endowments and extensions of 82 ejidos with an initial area of 27,500 hectares, have been supplanted by urban growth, which is why there are only 47 ejidos left with an area of 13,500 hectares. This has also led to the invasion of lands and accordingly, irregularity in property. As far as community goods are concerned, he explained, the leftover goods in farming shares for confirmation and occupancy, has given rise to speculation and the rise of illegal real-estate developments.

As far as forestry is concerned, he stated that the 81,900 hectares of forest in the Federal District have been affected and stressed that nowadays only 48,800 hectares are covered with trees. The rest have been felled and a large part of them are used in agricultural and cattle-raising activities.

The foregoing, he explained, has caused the appearance of plagues that become localized in virulent focal points in an area of about 20,000 hectares, fires, uncontrolled grazing and irregular human settlements.

On the agricultural issue, he mentioned that the soils suitable for cultivation, which up to the beginning of the century produced food, have been invaded by the city, displacing agricultural activity to the forest, with the respective damage to the forest.

In referring to cattle raising, Rodriguez Jaquez emphasized that the natural pasture areas have been razed by the practice of extensive stockbreeding, while another portion of the cattle is kept partially stabled within the urban area, to the detriment of the health of the population.

After this report, President Miguel de la Madrid was honorary witness to an agreement between the Secretariat of Urban Growth and Ecology, the Department of the Federal District and Mexican Petroleums, an agreement whose purpose is to develop specific measures for the protection of the environment.

This accord provides for drainage of basins, quality control in drinking water, water conservation and the treatment of residual waters and their reuse, as well as farming and stockbreeding activities which will allow both food production as well as the seeding of pastures so as to prevent dustclouds in an area of approximately 4,500 hectares.

Likewise control and vigilance of smoke emissions from public transportation and from public and private motor vehicles have been established as well as from fixed sources, especially industrial sources.

Concerning garbage collection and disposal, it was said that in the next 4 weeks, all the teams for collecting and disposing of garbage will be in operation and the pilot plan for night collection by means of containers will be set in motion.

In order to control smoke and gas emissions from vehicles on Route 100, PEMEX will improve the quality of its diesel fuel.

12448  
CSO: 5000/2043

## PEMEX DIRECTOR ADOPTS ENVIRONMENTAL PROTECTION POLICY

Mexico City EXCELSIOR in Spanish 14 Jul 83 pp 1,20

[Article by Antonio Garza Morales]

[Text] Environmental protection is a priority in the Miguel de la Madrid government, PEMEX director, Mario Ramon Beteta, said during a meeting with deputies from the Ecology Commission presided over by Oscar Canton Zetina, adding that if necessary, projects that seriously endanger water, land or air will be postponed or cancelled.

Beteta said, "I am convinced that no economic activity is worth pursuing if, because of it, the quality of life in some way is not improved. This is what economic effort is all about. Then, to carry out a costly, difficult economic effort that goes against the environmental conditions in which we live is not legal nor is it desirable."

He added, "If we do not take care of the environment, we not only do ourselves great harm, but we are leaving a world that is going to be very difficult, very disagreeable and very unhealthy for our successors in the public sector and for our children and we do not know at what point it will be impossible to live in it."

Later, he referred to the National Plan for Development and its concern about safeguarding the environment, citing a sentence contained therein: "One can only conceive of economic and social development if it is in harmony with nature."

He later acknowledged that PEMEX had harmed the environment. He said: "It is true, very true, but aside from that, I have emphatically stressed that we are determined to slow down negative acts where possible; to avoid causing harm to the environment when it is technologically feasible."

At the meeting, the PEMEX director, assisted by several of his colleagues, answered several questions asked by deputies from different parties.

"In PEMEX we are determined to adopt an attitude of respect for the environment in which we operate."

He added that "we have established as internal PEMEX policy to give equal importance and to demand equal responsibility for the results of the operation and care of our installations, as well as the scrupulous care of the environment."

He gave examples of PEMEX's concerns and noted the agreement PEMEX recently entered into with the Secretariat of Urban Development and Ecology and the Department of the Federal District, besides the one that was made with the government of Tabasco to join efforts to combat pollution.

He mentioned that the process is not easy, "that reverting the menacing trends in our environment--water, air, land--is not easy. Let us no longer say eliminate the menace, much less to revert the present trends that are so dangerous."

"We should be aware that we cannot achieve miracles," he told the deputies.

He was satisfied with the workers' reponse to the call to take care of the environment and in closing he said that some works have to be postponed or cancelled because they cannot be done within "the most scrupulous rules regarding environmental protection, that will be our line of conduct."

The deputy from Tabasco spoke on behalf of the legislators and the chairman of the Ecology Commission, Oscar Canton Zetina, who referred to the citizens' demand "that the government show greater zeal in fighting the problem that is slowly imperilling our lives without our apparently doing anything to stop it."

He mentioned that the present administration has recognized with all honesty the ecological harm PEMEX has caused and that a billion pesos are now being spent to alleviate ecological deterioration. He also recalled that the company tries to improve the quality of diesel oil to avoid air pollution.

While PEMEX cannot perform miracles, the legislator said, it should indeed fight to prevent damages and try to correct the ones they do cause.

"The disregard for the environment, the systematic attack against nature, the denial of all that means ecological balance and the nonexistent evaluation of the environmental impact on commercial activities, refining and transportation perpetrated by PEMEX in the past throughout the nation will not be corrected by decree," Canton Zetina summarized.

It is important that the new authorities at Mexican Petroleum Company recognize the critical aspect of the problem with courage, seriousness and simplicity. And that they also decide to look at it holding protection of the environment as a matter of priority and not as a secondary consideration."

In closing, he said, "How great it is that we are showing with facts that we Mexicans are capable of facing up to the greatest of problems which is human health and to attempt to resolve it, because "promises have created a very suitable atmosphere for popular mistrust."

9908

CSO: 5000/2044

## OFFICIAL DISCUSSES COUNTRY'S ACHIEVEMENTS IN FOREIGN TRADE

Managua EL NUEVO DIARIO in Spanish 1 Jul 83 p 12

[Text] "One of the greatest achievements in 4 years of revolution is the nationalization of foreign trade," the deputy minister of foreign trade, Bernardo Chamorro, said yesterday.

Chamorro said that the nationalization of foreign trade in our country has also been considered a fundamental achievement, the diversification of our exports and imports, which has been one of the basic goals of his ministry, to reduce our former dependence on the United States.

For example, he mentioned the sugar trade with the United States: "When the Reagan government significantly reduced our sales allowance by 50,000 metric tons, the equivalent of \$20 million, Nicaragua immediately sold that amount to Algeria within 24 hours."

## Significant Reduction

Our exports have been "diversified significantly." Dependence on the United States in this regard has been reduced. Whereas in 1980 36 percent of our exports were made to that country, in 1982 only 24 percent was exported and that percentage will be further reduced this year.

Exports to socialist countries in 1982 meanwhile rose to 6 percent, whereas in 1980 they amounted to 2.7 percent. They will be further increased this year.

We are also exporting to the Central American Common Market, Mexico and South America, the EEC and Japan. "We are not concentrating on a single sector," the deputy minister affirmed.

Deputy Minister Chamorro said that few developing countries presently can afford the luxury, as Nicaragua can, of not having their exports be dependent on a single region or a single country.

He recalled that we exported \$162 million in goods to the United States in 1980, whereas in 1982 we exported only \$98 million. The difference lies in other markets and identical prices.

As for our imports from the United States, the deputy minister said that they amounted to 27 percent in 1980, the equivalent of \$244 million, whereas in 1982 they were only \$147 million, or only 19 percent of the total.

He pointed out that there have been two basic reasons for this: first, because of diversification, and second, because of the shortage of foreign exchange. He also noted that prior to the decision made concerning sugar, some goods valued at several hundreds of thousands of dollars were held back in Miami and New Orleans. Their delivery is being negotiated. Those goods, he said, were held back because the Reagan government considered them high-technology goods, even though they actually are not.

#### Trade with Latin America

Concerning our trade with Latin American countries, not including Central America, Chamorro said that whereas in 1980 exports amounted to \$300,000, in 1982 they rose to \$14.5 million. Whereas imports in 1980 amounted to \$179 million, in 1982 they rose to \$211 million, due mainly to the purchase of oil from Venezuela and Mexico.

Chamorro said that we are currently trading with Brazil, Argentina, Mexico, Venezuela and Peru, with petroleum representing 75 percent of our imports and the remainder corresponding to the purchase of machinery, equipment and spare parts.

He stated that Brazil granted us a line of credit of approximately \$30 million in 1980 (buses, spare parts and other goods were purchased). Another line of credit for \$10 million is currently being negotiated.

Argentina approved a line of credit to us for \$15 million, Peru for \$10 million. Another line of credit for the same amount is being negotiated.

Venezuela approved a line of credit to us for \$4 million and another line of credit for \$14 million is being negotiated for the purchase of machinery.

With regard to our exports, he stated that we have mainly sold sugar to Mexico since 1981 for about \$9 million and for approximately \$14 million in 1982, i.e., 90 percent of our sugar exports in 1982 will be made to Latin America.

#### Trade with Cuba

Chamorro said that our trade with Cuba began as a result of a bilateral agreement in November 1982 in the amount of \$30 million.

Nicaragua exports metal-mechanical products, plywood, polyvinyl chloride, caustic soda and other goods to Cuba. From Cuba, we import containers, boxes, consumer goods such as refrigerators, television sets, radios, and raw materials for industry and agriculture.

The deputy minister said that Nicaragua does not export foodstuffs to Cuba and that prior to this agreement, Cuba had supplied us with chickens as well

as technical cooperation. He added that trade with Cuba is by means of Cuban and Nicaraguan shipping lines and that the agreement has a duration of 1 year.

#### With the Socialist Community

Chamorro reported that in 1982 we exported \$24 million in goods such as coffee, cotton, molasses and sugar to socialist countries, mainly to Czechoslovakia, the GDR and Bulgaria.

On the other hand, he said, in 1982 we imported almost \$90 million in farm and construction equipment, spare parts and agricultural purchases.

He said that Czechoslovakia, the USSR and Bulgaria have granted Nicaragua lines of credit totaling more than \$200 million for its imports.

#### Effect of Nationalization of Foreign Trade on the Country

Chamorro said that the nationalization of foreign trade eliminated the speculating middlemen who earned large sums of money at the expense of exporting agricultural producers.

A price stabilization policy exists to guarantee the producer a certain price and frees him from the fluctuations of prices on the international market. The government has said that when the price of coffee or cotton drops, it will subsidize those goods, guaranteeing the price.

#### Nicaragua a Member of the Association of Cotton-Producing Countries

Chamorro said that Nicaragua signed on in Belgrade as a member of the new Association of Cotton-Producing Countries, to which 18 nations belong, so that there will not be excessive fluctuation in the price of the product on the international market.

#### Trade with Japan

Finally, Chamorro said that significant trade is being carried on with Japan, to which we are selling cotton, coffee and sesame seed and from which Nicaragua is purchasing vehicles, spare parts, and agricultural machinery and purchases.

He stated that our exports to Japan in 1982 amounted to approximately \$40 million and that our imports were approximately the same.

He announced that on 22 July an official delegation of the Ministry of Foreign Trade will leave for Tokyo. The delegation will be headed by the deputy minister, Bernardo Chamorro, Jose Angel Buitrago of ENCAFE [Nicaraguan Coffee Enterprise], Luis Lacayo of ENAL [National Cotton Enterprise] and Alvaro Bendana, general secretary of the Ministry of Foreign Trade.

The delegation will meet with Japanese importers and exporters, officials of the Ministry of Foreign Affairs, the Ministry of Industry and EXIMBANK, which is financing the exports.

11915

CSO: 3248/1077

## NEW PROJECT FOR PLANNING NATIONAL ECONOMY INAUGURATED

Managua BARRICADA in Spanish 12 Jun 83 pp 1, 5

[Text] The various commissions and National Steering Committee of the SORINADE --State Administrative System of Organization and Information--project were officially installed in the "Heroes and Martyrs of Veracruz" auditorium of the INAP [Nicaraguan Public Administration Institute] by Commander Henry Ruiz Hernandez, minister of national planning, and Miguel de Castilla Urbina, general director of the INAP, respectively chairman and vice chairman of the project, in the presence of companero Rodrigo Reyes, minister-secretary and representative of the governing junta, and companero Kiril Zlatkov, ambassador and representative of the Bulgarian Government and people to our country.

The importance of the SORINADE project lies in the fact that its purpose is the construction, reinforcement and development of the National Planning System in the context and political leadership of the Sandinist People's Revolution. In this regard, in his introductory remarks the project's chairman, Commander Henry Ruiz, stated: "The SORINADE project is a central project at the national level because it will qualitatively strengthen the general organization of the state; the project has therefore been approved as a priority by the national leadership of the FSLN [Sandinist National Liberation Front] and the junta of the Government of National Reconstruction."

## Makeup of SORINADE

In his speech on the history, focus and organization of SORINADE, project director Miguel de Castilla stated that "this is a project based on research of operation and rationalization; while simultaneously aspiring to offer a systematic proposal of relationships to the process of constructing individual plans and the Plan of the National Economy, it also seeks to raise the quality and levels of operation of other systems and subsystems dependent on or connected with the National Planning System.

"In this sense," he added, "its field of action and influence will not only be the planning system, but also the subsystems which make up the administration of the Revolutionary State, in an effort to improve its operation and organization, as well as its working methods, which assure coordination, consistency and integration of its agencies and its program, in the historic task of converting Nicaraguan society to higher levels of democracy and prosperity."

## Project Organization

General coordination of the project will be entrusted to the Nicaraguan Public Administration Institute (INAP), since it is the institution of the Revolutionary Government responsible for the administrative transformation of the state. The project's councils and committees will include planning ministers and experts from all those "comprehensive" institutions which participate in or affect the process of developing our country's economic and social plans: Ministry of Planning, Junta General Secretariat, Secretariat of Regional Coordination, Nicaraguan Institute of Statistics and Census, Ministry of Finance, Central Bank, National Directorate of Data Processing, Office of the Comptroller General of the Republic, and the two ministries connected with national production: the Ministry of Industry and the Ministry of Agricultural-Livestock Development and Agrarian Reform.

## Bulgaria to Advise SORINADE

The National Steering Committee and councils of this great interinstitutional project will have the technical advice of the Bulgarian Committee of the Comprehensive Social Information System (CSUIS); in this regard, companero Kiril Zlatkov, the Bulgarian ambassador to our country and who also spoke at the instalment ceremony, expressed his gratitude for the invitation to attend the inaugural ceremonies, emphasizing: "A project of SORINADE's nature can only take place between two friendly countries and in a context of understanding and solidarity." And companero Zlatkov added: "This project must correspond to the specific stages of development of the Sandinist People's Revolution."

## Science in the Public Service

Commander Henry Ruiz concluded the official installation ceremony of the SORINADE project, advising the ministers and representatives of the ministries and agencies involved that "SORINADE is not an easy job, therefore we must proceed dialectically and without renouncing specific changes, avoiding dogmatic adherence to the project's concept, to the fact that it must develop as time goes on, for although SORINADE is an intermediate-term project, it will produce concrete results even in its first year of implementation."

At another point in his speech, Commander Ruiz noted the need to scientifically, creatively and boldly tackle the project, as it means transformation of the new society for the benefit of our people. He stated: "We are all responsible for the progress of revolutionary science. We cannot allow ourselves to be distracted by abstractions of the reality of underdevelopment which we are facing and there cannot be mechanical transplants. The work will not be easy, since it means discovering the mechanisms which conceal administrative flaws and make it possible to shirk responsibilities."

Commander Ruiz concluded by saying: "We are facing a luxuriant, bombastic state with an extensive bureaucracy in which decisions sometimes get lost along the way. But there can be no doubt that there is the political will to overcome problems in a revolutionary spirit and with a desire to serve. The SORINADE project is an example of this."

11915

CSO: 3248/1077

## WHEELOCK ANNOUNCES DECISION TO DECREASE MEAT EXPORTS

Managua EL NUEVO DIARIO in Spanish 5 Jul 83 pp 1, 8

[Text] The minister of agricultural-livestock development and agrarian reform, Commander Jaime Wheelock Roman, announced yesterday that the problem of meat distribution will soon be overcome and that the problem of distributing eggs and chickens will also soon be solved.

In a press conference yesterday at MIDINRA [Ministry of Agricultural-Livestock Development and Agrarian Reform], Wheelock explained that the Revolutionary Government has decided to reduce meat exports "with the aim of maintaining the domestic market's supply."

"We cannot," the revolutionary leader added, "continue an indiscriminate export policy only to acquire foreign exchange." He explained that of 36 million pounds of meat scheduled for export, "3 or 4 million pounds will be held back for the entire second half of the year in progress."

Wheelock said that domestic demand for meat is about 57 million pounds annually and that by reducing exports, supply will be increased up to 61 or 63 million pounds for Nicaraguan consumers.

## Government Effort

Minister Wheelock added that government enterprises will--in turn--make a special effort to provide cattle, horses and mules to exporting slaughterhouses and that about 6,000 head of livestock are scheduled for slaughter.

He added that slaughterhouses will start operating much more vigorously and that the greater supply of beef on the market will reduce demand for chicken, which will logically result in a larger supply of the latter in the markets of the capital and the country in general.

## Temporary Situation

Commander Wheelock added that the country's problems of production and distribution, with regard to the supply of meat, especially in Managua and in the Pacific region in general, is a temporary situation "which should not cause alarm."

As factors contributing to this problem, he cited the existing cyclical trend among average livestock breeders of not supplying cattle, horses and mules during this period, waiting to do so until after the rainy season "when they will make up for lost time."

He recalled that traditionally--i.e., every year--the supply of livestock to slaughterhouses for the months of June and July, and even the first few days of August, is reduced, with exports also being reduced at the same time.

This time, Minister Wheelock added, the drought of almost 8 months and the late start of the rainy season "aggravated the cyclical trend" of the average livestock breeder's custom of not supplying livestock during these months and that both factors combined to produce the unfortunate present situation.

The revolutionary leader--in view of events--said that "livestock breeders are reasonably holding back their livestock," but that when they do supply it, as is their custom, in the coming month of August, it is quite certain that the problem will be resolved.

#### Increase in Herds

Wheelock emphasized that "this does not mean that there are structural problems" and acknowledged, on the other hand, that there has been an increase in livestock herds, pointing out that whereas in June 1982 there were 76,000 head of livestock slaughtered, in June 1983 97,000 head were slaughtered, i.e., 20,000 more than last year.

He also noted that whereas in June 1982 10 million pounds were exported, in June 1983 12 million pounds were exported. Domestic consumption has also risen from 12 million pounds as of June of last year to 15 million pounds as of June 1983.

Wheelock stressed that "production, export and domestic consumption goals are expected to be reached" and that "except for the current temporary problems ... we are not going to have any problems" in general.

Citing an abundance of data, the minister of agricultural-livestock development and agrarian reform (MIDINRA) explained that the drought has also affected sorghum production, a basic animal food, but that with the measures which the Revolutionary Government has taken for increasing production and reducing exports, as well as for importing eggs and chickens, "meat problems will be solved."

#### People in Rural Areas Consuming More

In talking about the shortage of chickens, Commander Wheelock said that it must be understood that "now there is a greater trend toward consumption," in addition to the fact that "people in rural areas have become consumers and are part of the demand."

He also said that "there is a notable recovery of milk production" and cited the fact that whereas Managua plants were processing 100,000 gallons last week, "they have jumped to 140,000 gallons this week."

The same thing has happened to PROLACSA [expansion unknown] processing output, which jumped from 40,000 gallons last week to 70,000 gallons this week.

In all, Commander Wheelock said, a total of 209,000 gallons between the plants of Managua and PROLACSA.

The revolutionary leader also announced yesterday that the Revolutionary Government has made arrangements to standardize the gallon price of milk--effective as of yesterday--so that the same price will be paid to producers supplying Managua plants and those supplying PROLACSA.

In this way, Wheelock said, producers in the northern and eastern regions of the country will benefit fully. The increase is 5.23 corobas per gallon or 1.38 cordobas per liter for producers supplying PROLACSA and in Rivas, with the gallon price standardized at 20.44 cordobas.

"We are doing well in general," Commander Wheelock concluded, adding that we will have a good year agriculturally in all respects and that although the military and economic aggression of U.S. imperialism against the Sandinist People's Revolution has certainly had an effect on the country, "the good disposition of the people in defense has made it possible to win out--in this regard as well--over the enemy."

11915

CSO: 3248/1077

## TRADE DEFICIT ESTIMATED AT \$58 MILLION

Asuncion ABC COLOR in Spanish 8 Jul 83 p 11

[Text] Between January and March of this year, exports came to \$134 million while imports rose to \$192 million which means that the country's balance of trade is in the red to the tune of \$58 million for the first 5 months of the year. The trade deficit is 3 percent less than the deficit that materialized during the same period of time in 1982. Exports plunged 19 percent while imports declined 15 percent compared to the first 5 months of the year.

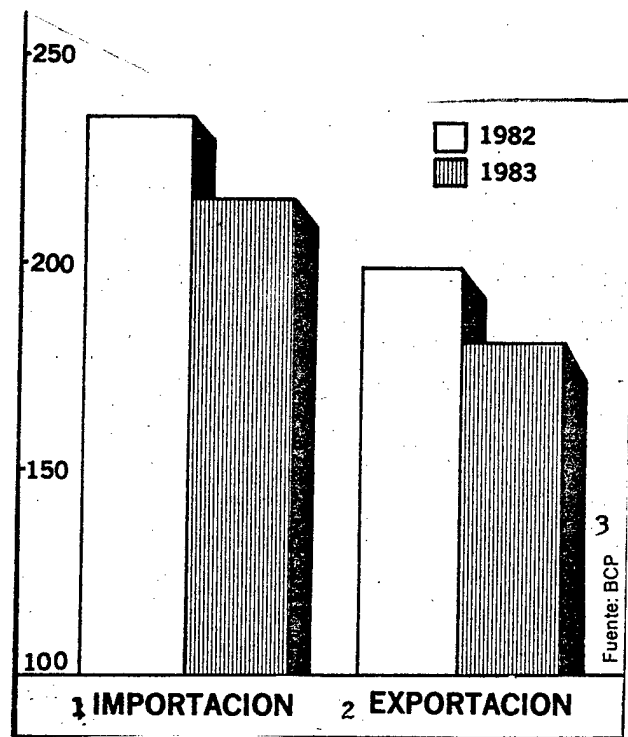
In May, we exported products worth \$37 million while the value of imports came to \$35.5 million. In May we thus had a surplus of almost \$2 million in the balance of trade.

In spite of this surplus during the month of May, the negative trend in the country's balance of trade persists because of the greater value of imports as compared to exports.

Although imports dropped 15 percent during the current year so far--and that is a positive aspect from the foreign exchange savings viewpoint--exports declined 19 percent between January and May of this year compared to the same period of time last year.

While imports during the first 5 months of last year came to \$226 million, the value of imports during the same span of time this year was \$192 million. Exports which, from January to May 1982 rose to \$165 million, during the same period of time this year came to \$134 million.

Although both imports and exports declined during the year so far, the value of foreign sales is less when compared to the imports between January and May of this year in relation to what we had last year under both of these headings. The value of exports during the period of this year which we are studying now represents 69 percent of the value of imports during that same period of time. Exports during the same period of time last year represented 73 percent of the value of imports handled during the same span of time in 1982.



Import and Export Record from January to May (in Millions of Dollars). The graph shows the difference between imports from January to May 1982 and those recorded during the same period of time this year. The same can be said about exports for the same period of time last year and the current year. Not only did imports decline during the year so far but exports also declined to an even greater proportion according to statistics supplied by the BCP.

Key: 1--Imports; 2--Exports; 3--Source: BCP.

5058

CSO: 3348/572

## GRADUAL FOREIGN RESERVES DECLINE NOTED

Asuncion ABC COLOR in Spanish 28 Jun 83 p 9

[Text] The net foreign money reserves of the BCP (Central Bank of Paraguay) are declining, slowly but steadily, if we look at their general development, as shown in the graph below. The performance here fluctuates from one month to the next although with a gradual drop, looking at the amounts of the gross reserve minus the liability deductions. The graph shows the data for 1981 and 1982 to which we can add the first 4 months of 1983 so that we can get a comparison of the general trend.

The year 1981 was the best from the viewpoint of foreign reserve accumulation by the Central Bank; apart from reaching the highest point which, in gross figures, was \$827 million during the month of May, the liabilities were relatively small, compared to the following years. Consequently, the net average reserve for that year came to \$771 million if we add the amounts for the entire year and if we divide that figure by the number of months.

According to opinions expressed by experts at the Central Bank, the year 1981 was the last one during which the country received a significant influx of foreign exchange for work on the Itaipu hydroelectric project. Generally speaking, the decline of foreign reserves began starting as of that year. That was also the last year when the country had a surplus in its balance of payments according to BCP statistics.

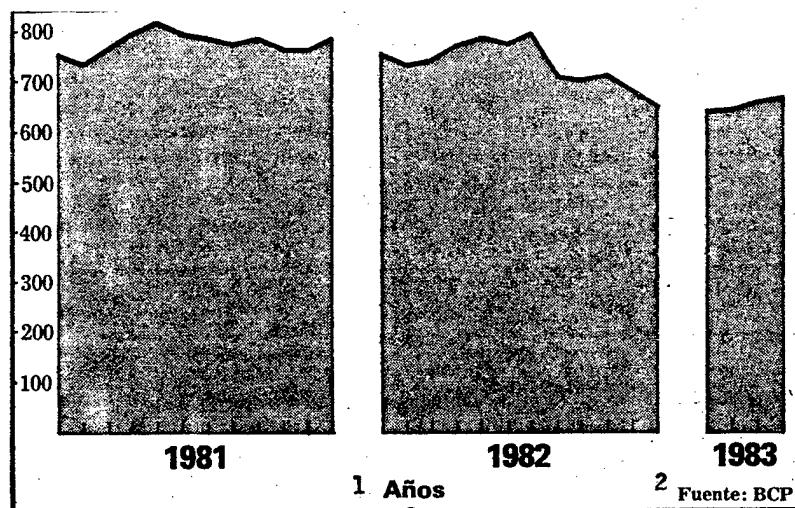
The year 1982 was characterized by a definite drop in net international reserves compared to the prior year so that the annual average was \$730 million which represents a decline of 5 percent compared to the 1981 average which was \$771 million.

The first half of 1982 however did not present any substantial variations as compared to 1981. Reserves remained high even until July 1982. But, starting in August, as we can see in the graph, the fluctuation was much greater and reserves plunged 10 percent, from 791 million in July to \$709 million at the end of August.

Many people attribute this drop in reserves to the foreign exchange regulations which began to take effect as of the second half of July; this increased the lack of confidence in the guarani, as we were able to see in the "runs" on the

banks by savers in terms of dollars between July and September. Others blame the phenomenon on the semiannual installments due on the foreign debt but there is one thing that is certain and that is that, since August 1982, the net foreign reserves were unable to grow much beyond \$710 million, at least until April 1983.

In December 1982, the amount of net international reserves was 17 percent less than in December 1981, reaching a figure of \$652 million as against \$781 million 12 months earlier. This difference is an accurate picture of the declining trend that characterized the reserves during 1982. What will happen to the international reserves in 1983? That is a question which is very much in everybody's mind this year although one cannot come up with an answer since we are now in the midst of the months that are covered by the export cycle during which foreign exchange comes in. If we look at the first 4 months of the year, we can see that the reserves are beginning to rise again compared to January but economic circles doubt that this trend can continue much beyond the start of the year's second half. By way of example of what the annual average could be, it is believed that the average reserves for the first quarter would be \$651 million, in other words, 10 percent below the 1982 average.



Monthly Development of BCP Net Foreign Money Reserves (in Millions of U.S. Dollars)

The graph shows the development of net BCP international money reserves. The period of time analyzed includes the years 1981 and 1982 and the first 4 months of the current year. The drop in reserves was significantly accentuated as of the middle of last year. A gradual increase emerged during the first quarter of this year.

Key: 1--Years; 2--Source: BCP.

5058

CSO: 3348/572

## CENTRAL BANK COVERS FINANCE MINISTRY DEFICIT

Asuncion ABC COLOR in Spanish 5 Jul 83 p 13

[Text] The Finance Ministry confirmed that the shortfall in collections for the first half of the year, for its Central Administration, is in excess of 5,000 million guaranies. The difference would have been greater if the BCP (Central Bank of Paraguay) had not granted loans to the above-mentioned secretariat of state totaling 5,854.7 million guaranies. Regular tax collections declined 23 percent compared to the estimates.

A shortfall of 5,063.2 million guaranies, equivalent to 11 percent of the estimate, was recorded in the management of budget funds of the Central Administration between January and June of this year. At first, fund estimates came to 47,172.6 million but only 42,109.4 million guaranies were collected, according to a report released by the press office of the Finance Ministry.

The regular fund collection shortfall, according to that secretariat of state, as of the 6th month of this fiscal year, comes to 23 percent compared to the estimates. "Because of that we are only making the absolutely indispensable payments," the report indicated.

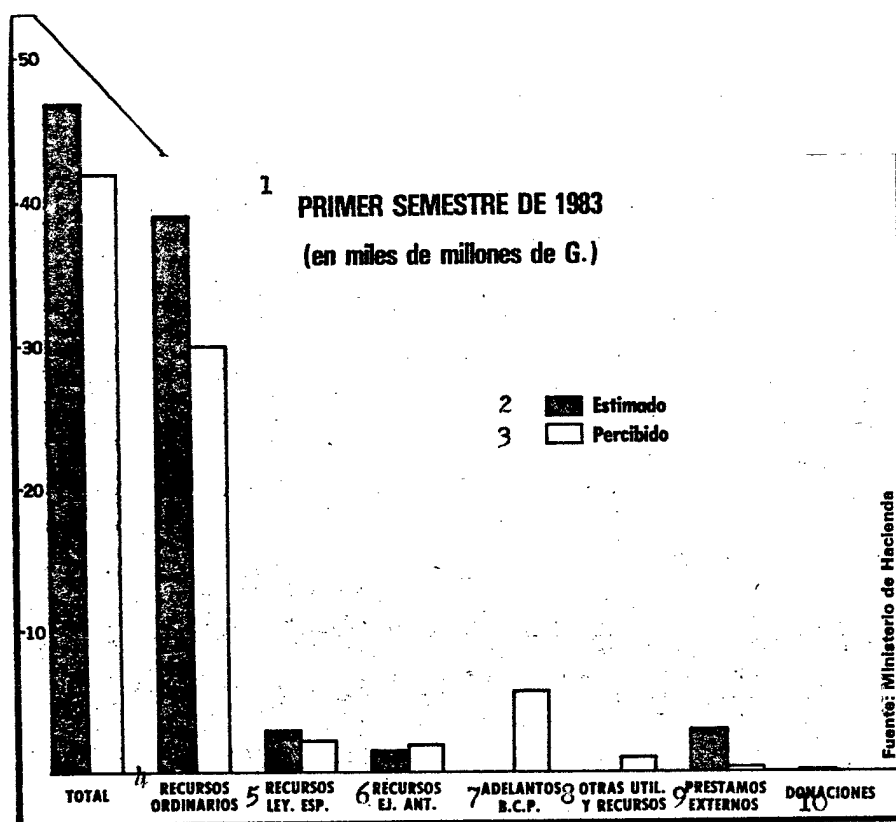
The drop in tax collections "is due to the worldwide economic recession and the serious damage inflicted upon the country by the tremendous recent floods in the local context; as a matter of fact, in spite of the optimism at the start of the year, deriving from the economic indicators and the prospects for the utilization of the main export categories, the end result was influenced by the tremendous rainfall and flooding with all of the known after-effects; on top of that there was the postponement in the start-up time at the YACYRETA hydroelectric project and the decline in the financing rhythm for the construction of ITAIPU because it is in the final phases," according to the Finance Ministry.

In view of this opinion, according to the report, "the Finance Ministry has reduced the payment of expenditures for the first semester of this year in compliance with the provisions of Article 3, Law No 962/82, which states: 'The Executive Branch shall implement the budget of the Central Administration on the basis of a balance between expenditures and real revenues obtained.'"

To cope with the tax revenue shortfall of more than 5,000 million guaranies, the Finance Ministry had to get loans from the BCP which in the end were used to pay the wages of civil servants in public institutions as well as those expenditures that were considered to be priority. Without those advances from the Central Bank, the Finance Ministry would have had much less money to meet its expenditures.

The tax deficit also increased due to the fact that it was estimated that the government would get foreign loans in the amount of 3,232.2 million guaranies although only 459.6 million were received, in other words, 2,772.6 million guaranies less than budgeted up to the 6th month of the year.

To avoid accelerating or any way affecting the domestic economic situation, the "Ministry of Finance is making a tremendous effort" and "calls for the understanding and collaboration of all citizens to achieve the proposed objective of minimizing the effects and consequences of negative financial economic phenomena of a foreign nature," the report issued by the press office of the Finance Ministry concludes.



Graph I Illustrating Budget Fund Implementation

The graph illustrates the results of the management of budget funds of the Central Administration for the first half of FY 1983. The total revenues received turned out to be 11 percent less than originally estimated. Under the heading of regular revenues, collections declined 23 percent compared to estimates. It should be noted in the graph that the shortfall in revenues collected could have been even more if there had been no advances to the Ministry of Finance from the BCP.

Key: 1--First half of 1983 (in thousands of millions of G); 2--Estimated; 3--Collected; 4--Regular funds; 5--Special legislation funding; 6--Funding left over from prior FY; 7--Advances from BCP; 8--Miscellaneous profits and funds; 9--Foreign loans; 10--Donations. Source: Ministry of Finance.

5058

CSO: 3348/577

## INFLATION RATE REPORTEDLY HIGHER THAN WAGE INCREASE

Asuncion ABC COLOR in Spanish 30 Jun 83 p 11

[Text] The 10-percent wage adjustment on the minimum wage currently in force, which was approved yesterday, is less than the rise in the cost of living since April 1981 at which time the last wage adjustment was decided upon. If we keep in mind that, between April 1981 and March of this year, the cost of living went up 16.46 percent, according to statistics from the Central Bank, then it is clear that a 10-percent adjustment in wages as of 1 July is insufficient.

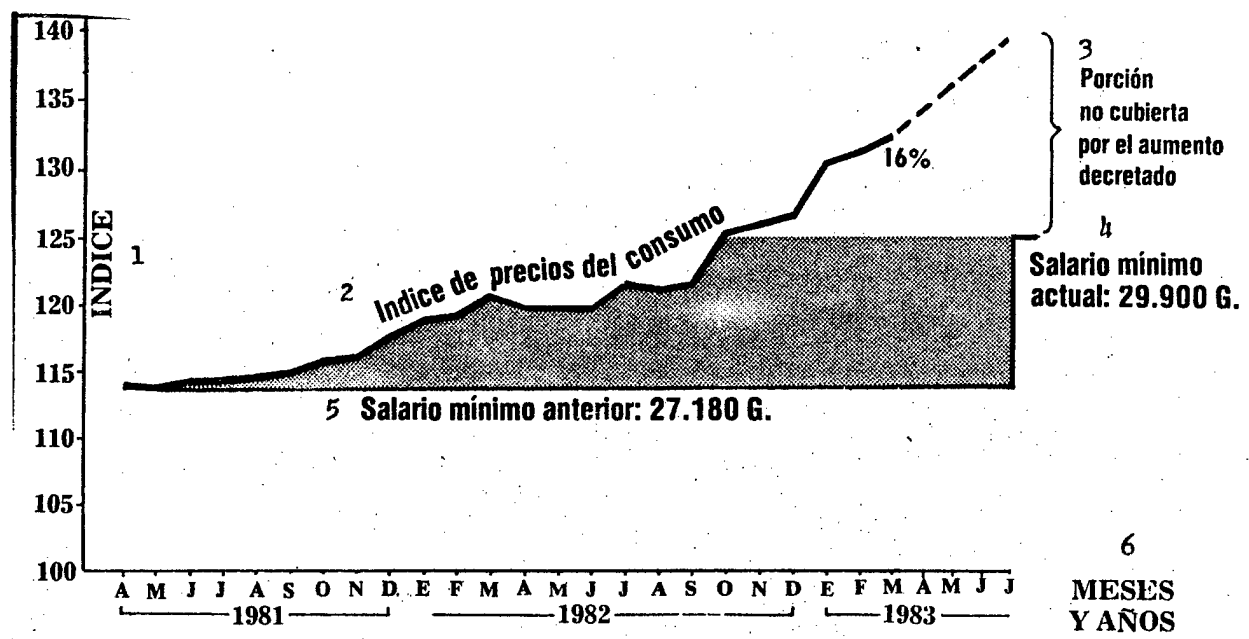
In the graph below, we can see the difference between the rise in the cost of living which at least until March of this year came to 16.46 percent and the 10-percent adjustment in wages. The 10-percent wage adjustment covers the loss of wage value until October 1982, according to data supplied by the BCP [Central Bank of Paraguay]. The rise in the cost of living, which took place since November 1982 and until June 1983, constitutes the gap which we can see in the graph and represents the wage deficit in the new minimum wage.

The decline in real wages will increase as of tomorrow when the rise in urban transportation fares will go into effect; that increase will be 29 percent since, instead of 35 guaranies for each ticket, it will be necessary to pay 45 guaranies.

Although we have no official data from the Central Bank concerning the performance of the price index until 30 June, it is presumed that the rise in the cost of living will be in excess of 16.46 percent since April 1981. It is believed in some circles that the rise in the cost of living will be no less than 20 percent which is why the ordered adjustment will not even cover half of the increase in consumer product prices.

Although the adjustment approved under current conditions will result in a net benefit for the worker amounting to much less than 10 percent, the adjustment will increase the purchasing power of the workers and, in this way, will serve to stimulate the demand, as some economists consulted yesterday have calculated. This will somehow help boost production and might even serve to create jobs.

The negative aspect is that the current economic situation is difficult and an increase in fixed company costs can signify a blow at industrial and commercial establishments which suffer from unfair competition represented by smuggling, thus worsening the situation, according to opinions expressed by some analysts in the economic sector.



Comparison of Development of Consumer Price Index and Minimum Wage. According to data supplied by the BCP, the cost of living went up 16 percent between April 1981 and March 1983. During that same interval of time, the minimum wage was kept unchanged and that caused a deterioration in the purchasing power of the legal earnings by a percentage equal to the rise in the cost of living. The statistics on the performance of the price index for the months of April, May, and June are not available. For those missing months, to which we must add July, we assume a certain price level, projecting the tendency upward since there is no doubt regarding the fact that the cost of living continued to go up and since it is quite feasible that this development might go on. The increase in the minimum wage proposed at this time, an increase of 10 percent, turns out to be less than the rise in the cost of living up to the month of March of this year. The grey area in the graph shows the part of the rise in the cost of living which was covered by the 10-percent increase in the minimum wage as ordered yesterday. The rest covers the gap between the minimum wage as of 1 July and the cost of living.

Key: 1--Index; 2--Consumer price index; 3--Portion not covered by increase ordered; 4--Current minimum wage; 5--Prior minimum wage; 6--Months and years; G--Guaranies.

5058

CSO: 3348/577

## INCREASE IN UNEMPLOYMENT RATE REPORTED

Asuncion ABC COLOR in Spanish 10 Jul 83 p 7

[Text] Government statistics point to the deterioration in the country's unemployment situation as a result of the recession and the closing of various production establishments. The army of itinerant vendors in the city corroborates the gravity of the employment situation along with an increase in part-time employment represented by efforts aimed at mere survival. But part-time employment is nothing more than a symptom of adequate plans to put an end to the current recession.

Just 10 years ago, a mission from the PREALC (Regional Employment Program for Latin America and the Caribbean), under the ILO, prepared a study on the job market situation in Paraguay and shortly afterward made major observations on the national economy's manpower situation.

From the very first moment on the PREALC experts found themselves facing a marked scarcity of adequate information on the development of the job situation; in spite of this, the problem created by an army of underemployed persons was quite evident at that time along with the need for drawing up a manpower absorption plan through an effort to boost the economy.

Economic policy was somewhat relieved of the difficulty created by high underemployment and open unemployment difficulties due to the construction of the hydroelectric projects; a full-employment situation was not achieved, as some people had suggested, but at least the heavy burden represented by thousands of persons looking for work or getting only occasional work was alleviated.

Annual unemployment rates of government origin began to decline during the period which coincided with the Itaipu project (see graph) but the picture again worsened dramatically starting in 1981, precisely at the moment when the construction of the dam began to near its end and personnel had to be discharged. To this we must add the drop in domestic output levels, especially due to the crisis in the foreign sector, in order to understand the close link existing between the development of the GDP and the population's unemployment level. With the admitted decline of the GDP in 1982 by 2.5 percent,

it was understandable that the official unemployment rate went up to 9.4 percent among the country's economically active population--the highest level since 1970.

#### What Is Underemployment?

Although statistically speaking it is difficult to spell the situation out specifically, anybody can plainly see the growing importance of part-time employment as a survival strategy for thousands of individuals both in the capital and in the interior. Unmistakable signs of runaway recession, the itinerant vendors cruise through the streets of Asuncion and gather around border stations to engage in smuggling. These are indicators of underemployment which are expressed by the underutilization of manpower and the activities which people engage in merely to survive.

The PREALC study, based on surveys conducted in May 1973, calculated an underemployment level of around 52 percent of the labor force in Asuncion while on the national level it came to 32 percent. As the years went on, this situation possibly improved due to the tendency toward greater manpower hiring during the period of construction at Itaipu and due to the creation of direct and indirect jobs.

The PREALC analysis already foresaw the job situation by the time the work at Itaipu was due to be terminated and the way to prevent a period of underemployment revival. There were two alternatives to draw up a plan that would absorb personnel to be discharged and assign them to other production activities; the first one consisted in promoting a similar project at the border with Argentina (Yacyreta) which would be the simplest and most functional solution; the second one, without excluding the first one, was to employ the individuals who had been discharged in the same area of the dam. The report stated that "in the absence of a planning effort by the government there is the serious risk that the only real support for this dynamic effort would be work on the dam, and that, after that effort diminishes, the other activities (around the project along the Upper Parana) cannot be sustained."

Since the Yacyreta project did not materialize and since there was no plan that would tackle the real problem of growing unemployment in Itaipu, the economy entered a period of definite decline--all of which once again would have placed manpower in situation which, if not similar to those of 1973, were similar in terms of the renewed preponderance of underemployment as a means of subsistence for the workers.

It is obvious that the employment problem has gotten worse in the country compared to past epochs not only because of the greater size of the economy and the population's different expectations in general regarding the standard of living but also because of the absence of the previous "escapes" that were available, such as settlement programs and emigration to Argentina.

Workers who had been laid off and those who were unable to get into the "formal" labor market must find some way to get into the "informal" sector and that sector includes jobs under the heading of disguised unemployment or underemployment. In the city, this "informal" sector is the same as the

"autonomous sector" of the urban economy, where, according to the PREALC study, problems of low income levels and job instability and low wages were concentrated.

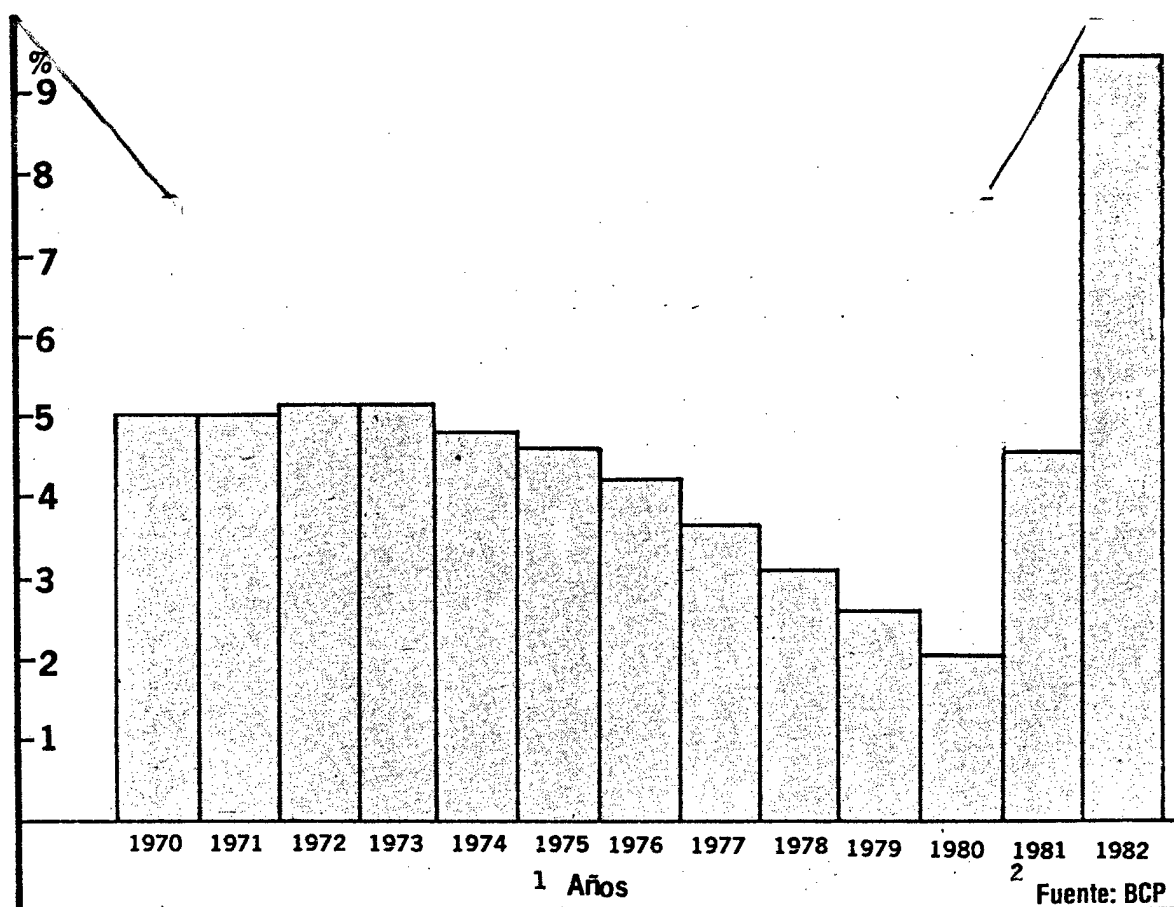
As the "integrated sector" of the economy keeps growing--in other words, the medium and large capitalist enterprises--the "autonomous sector" (self-employment in the crafts, in trade, or in the services) tends to be shifted which is currently not happening due to the capital accumulation crisis.

All of this leads us to conclude that a deterioration in the economic recession can once again lead to manpower unemployment and underutilization problems that prevailed 10 years ago, before the start of work on the hydroelectric project, with the aggravating factor of a rising cost of living and consumer expectations accentuated by the mass media and not satisfied due to the lack of an adequate income among the population at large.

On the other hand, it was demonstrated that the achievement of a situation of almost full employment some years ago was due to a particular economic situation which provided impetus for economic growth but which did not help promote a stable development process. On the other hand, achieving full employment requires specific employment possibilities integrated into a system of economic-social rationalization.

The timeliness of the PREALC report of 10 years ago is based not only on the reappearance of similar employment characteristics prevailing at that time but also on the urgent necessity of determining the current situation in the matter of employment, its causes and possible development in the near future.

The tremendous increase in occasional jobs, as a survival strategy, is an unmistakable sign of the recession. The young people who gather around Uruguay Square to sell raffles and the itinerant vendors in the capital's downtown section are examples of this.



#### Unemployment Rate Development, 1970-1982

Data on the annual unemployment rate reveal a trend toward high labor force unemployment levels all of which leads to the conclusion that underemployment can again achieve the preponderance which it had a decade earlier.

Key: 1--Years; 2--Source: BCP.

5058

CSO: 3348/572

## FEAR OF EXPRESSING OPINION OPENLY UNDERSCORED

Asuncion ABC COLOR in Spanish 10 Jul 83 p 10

## [Editorial]

[Text] It cannot be said that Paraguay is a country that lacks the expression of opinion. On the contrary: its people has always been and is capable of having and expressing a vigorous opinion and one might even add that it is natural and logical for this to be so since this is an intelligent people who observes and respects certain moral qualities, such as those of personal valor and integrity.

The ability to analyze facts or evaluate forms of conduct--which public opinion expresses in these cases--is always notable in the country and a judgment is frequently expressed on that score in just a few but powerful and specific words.

But, to find these opinions, to listen to them nowadays requires the intimacy of friendship or some other guaranteed form of solidarity between the person who expresses the opinion and the person who is listening. Within the home, within a group of friends, sometimes even among persons linked by a common interest, one can say things which in other places or environments cannot be said with equal confidence.

In this way, we even have a duplicity of opinions. One opinion is the opinion that is expressed in private, so to speak, and the other one, different and even contrary, is the opinion that is expressed in public. And this generalized deception springs just about exclusively from fear. A fear which in many cases at least is not reasonable because it contributes to the distortion of many aspects of national life.

Anybody who could contribute an interesting initiative does not express it. Anybody who knows some event that should be disseminated widely refrains from speaking out. Somebody who has a complaint sometimes changes the complaint into praise. And there are even those who would like to express praise but do not do so, thus denying the justice or recognition which he feels in his heart.

On bases such as these, one not only distorts the situation and casts doubt upon the information but one makes it difficult and even impossible to know what is really going on, channels of communication are closed in advance,

channels which are absolutely necessary for any management activity in the private sector or in government; there is even a lack of truth and integrity and, in social terms, it is just about impossible for public opinion and the general consensus from attaining the influence they should have and, basically, after all, nobody could or would want to deny them since it makes no sense, nor is it possible to close one's mind to them.

Keeping silent out of fear or not saying what one really thinks is the same as not believing in the value of reason. And if, within each person, this can lead to a disbelief in all that which is good, then this is bound to have negative repercussions on the national community as a whole since nobody can function usefully and soundly where real general thinking is ignored.

5058

CSO: 3348/577

## DAILY CALLS FOR IMPROVED ANTI-TERRORIST CAMPAIGN

Lima EL COMERCIO in Spanish 21 Jul 83 p A2

[Text] The small Ayacuchan town of Uchuraccai has again become the scene of irrational violence which affects the nation. A bloody act condemned by the nation has taken place again, but this time not by terrorized people, but by subversive criminals who murdered eight peasants, besides causing considerable material damage.

This raid by fanatical Shining Path members is included in the framework of genocidal and antipopular action, evidenced as much by dynamite attempts as by massacres, especially in the Ayacuchan communities of Lucanamarca and Juguisa, where dozens of innocent men, women and children lost their lives.

Even up to now nothing positively is known about the motives of the crime perpetrated Monday in Uchuraccai. Everything indicates it again concerns--as in the case of the communities named--a reprisal on the part of those who are attempting very forcefully to replace the judicial power, taking same into their own hands and bringing about a regime of terror against that humble people who, fed up with it, are beginning to react by submitting to the efforts of police and military forces in the fight against subversion.

And, having chosen Uchuraccai as the scenario for this orgy of blood, it seems to respond to the Shining Path's desire to strike at the point where a reversal in the prevailing situation originated, a situation in which up until the start of this year, the indigenous villages were serving, by force of terror, as a base for sedition.

In the same sense, we could say that the new massacre confirms, indirectly, the accurate conclusion arrived at by the investigating commission in the murder of newsmen which was convinced that it was the peasants themselves who, moved by confusion and the state of psychological pressure under which they seemed subjected to future attacks, executed newsmen and that there were no foreign elements among them.

In view of all this, it is necessary to insist that, despite the effort made by police and military forces in the fight against subversion, it still has not been sufficient. The murder of the newsmen was due, among other factors, to lack of foresight; and the latest crime was due also to lack of vigilance.

Having detached order-keeping forces to Uchuraccai would, first, have avoided the outbreak of general panic; and, later, the murder of peasants.

Therefore, we believe, as we have stated all along in this column, that the fight against terrorism and sedition ought to be done more effectively and without going outside the framework of the Constitution and the law; but, not only in direct confrontation, but, above all, in foresightedness, pursuing and penalizing the most guilty: the intellectual authors of the crime. An essential step in forestalling evil.

9908

CSO: 3348/587

## REPRESENTATIVE BELIEVES DIALOGUE WITH SHINING PATH POSSIBLE

Lima LA PRENSA in Spanish 22 Jul 83 p 3

[Text] The possibility and necessity of a dialogue with insurgents for ending the terrorist phenomenon in the nation should still "not be discarded," the APRA deputy for Ayacucho, Carlos Cappelletti Cisneros, thought yesterday. He believed that Luis Bedoya Reyes' warning that terrorism could increase with the kidnapping of political leaders as retaliation for those rebels locked up in El Fronton, should also be taken seriously.

"Even though kidnapping is not a terrorist tactic in this country, nevertheless, I believe subversives are using everything in their reach to achieve a certain advantage for their purposes," said the legislator from the department convulsed by terrorism.

In his opinion, the possibility of a dialogue should not be discarded. The government, after all, will follow a democratic path, headed towards consolidation of peace and the averting of bloodshed.

"It is not a matter of using more repression, but of perfecting methods and improving the National Intelligence Service (SIN), which is not rising to the occasion," the APRA representative said.

From another aspect, he pointed out what political leaders should bear in mind in order to solve the terrorist question. They have to make concrete and positive investments which will satisfy development needs in affected areas.

And agreeing with Bedoya Reyes concerning future kidnappings of political leaders by terrorists, populist senator Carlos Monteagudo Monteagudo believed that "it could be a good and suitable measure" to declare a state of seige in Ayacucho. Nevertheless, he noted that actions speak louder than words.

"Aside from an eventual state of seige, it is urgent that actions leading towards solving this problem be carried out, which up to now seem unsolvable," the populist lawmaker--a possible candidate for president of the senate--pointed out.

9908

CSO: 3348/587

## NEW PRESIDENT OF FEDECAMARAS DISCUSSES OBJECTIVES

Caracas NUMERO in Spanish 31 Jul 83 pp 14-16

[Interview with FEDECAMARAS President Adan Celis; date, time and place not given; by Antonia Bethancourt]

[Text] Adan Celis, who became president of the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS) on a platform of unity, who based his election campaign on a promise to regain the institution's lost strength, and who undeniably received a green light from business to do so, is trying to consolidate the monolith which FEDECAMARAS must become under his direction. He believes that the first step toward doing this has already been taken; in his opinion, the high number of votes garnered at the Assembly is proof of this. But he also has a plan of action designed to increase FEDECAMARAS' ability to respond, following an inflexible philosophy of "vigorous opposition to any measure that impedes the development of free enterprise and economic growth through that means."

In the first interview he has granted NUMERO since his election, Celis outlined the specific guideposts he will follow as president of FEDECAMARAS on four particular fronts: the Confederation of Venezuelan Workers (CTV), the government, petroleum, and cabinet confrontations. The first group is probably also first in order of priority for the FEDECAMARAS president himself, since he has decided to resume contacts with the CTV immediately. As for the rest, Celis dispelled any suspicion of future discrimination against provincial business sectors, and offered to create two permanent commissions to maintain communication with the interior. "The Provincial chambers are the salt of the earth," he said, perhaps recalling the large number of those associations which expressed confidence in him. Here, then, is the result of our encounter with the new president of FEDECAMARAS, along with his positions on four different fronts.

CTV

[Question] What are your short-term objectives?

[Answer] Priority number one for me--and I have to implement this before the parties present their platforms--is the long-term agriculture plan to diminish our food dependence. Afterwards, we will see whether we can agree upon this with the government and with the two principal parties, in order to

eliminate the incoherence and discontinuity in policies on agriculture and fishing. Thus, I hope that within 10 years, the country's production of staple items in which we are already self-sufficient can continue to expand in the direction of exportation, while other basic goods increase in production so that the national percentage of food sufficiency can reach a decent level.

[Question] But implementing that is also a long-term policy. As for priority measures, in FEDECAMARAS you have several fronts open, and you must cover them simultaneously. Which will get priority in the short run? What concrete measures do you intend to take in the first 100 days of your term of office?

[Answer] We are going to initiate a dialog with the CTV, to continue what has been accomplished.

[Question] The dialog had broken off, right?

[Answer] Yes. But I am going to do it in my own way.

[Question] In what way do you intend to carry on a dialog with the CTV?

[Answer] My personal style. Every president has his own way.

[Question] But it would be interesting if you would define yours.

[Answer] Well, I will try to set up committees a little more systematically. We should try to set mutual time limits for the issues we deal with, without imposing anything on the other side.

[Question] Now that you mention the CTV, we are in an economic crisis and we will have to accept the conditions imposed by the IMF. This would lead to social crises (strikes, conflicts), in which the CTV and FEDECAMARAS would have to undergo some kind of confrontation. What attitude will be assumed with regard to the problems that will arise?

[Answer] I am certain that if the truth is told to the people of Venezuela, plainly and clearly, without euphemisms or vain electoral promises; if it is stated that we are in a serious crisis, that people must understand the problem and we should be able to share the sacrifices equitably, in accordance with each person's ability, then we can overcome the crisis with less trauma than if we continue to live in a kind of utopian dream. For example, I do not want to beat about the bush; I would like to be very specific: As for the problem of availability of dollars, if the government does not calculate two different totals for two different outcomes and explain the number of dollars it has and how much it will spend on food and the interest on the debt, and how much will be left for the various sectors that expect to receive controlled dollars, if it does not say this and no one is aware of it, then everyone will expect to get dollars at 4.30 bolivars, and there will be false hopes that will result in a psychological breakdown. As soon as we explain this situation to Venezuela, as soon as the government says there is only this amount of dollars, then CTV, ourselves, and the people in general will try to tighten their belts as far as dollars go.

[Question] Yes, but the dollar issue affects the entire business sector, and organized labor must also take a pragmatic view, which could result in the confrontations we mentioned before. How do you think FEDECAMARAS should act in such a case?

[Answer] I sincerely believe that the CTV is led by people who firmly adhere to the democratic system, people who are very conscientious and experienced, who have undergone difficult situations, such as the crisis of 1960. I am sure that if these people know that issuing paper money to cover wages will send us into a Uruguayization of the economy, I think they will be willing to urge everyone to be understanding in such a situation and keep the peace. Of course, they must understand that if we have to import 60 percent of our food, and 40 percent of industry's capacity is idled, everyone has the opportunity to reactivate these two areas rapidly, along with the construction sector. There will be job opportunities. But if we continue crying, our tears will not fix anything.

[Question] But in the short run unemployment is expected to reach very high levels. How can that be dealt with?

[Answer] I think we must wait a while for the productive apparatus to react, as Minister Sosa said. All the imported inventories are already being depleted, and demand for industrial goods will perk up again, so industry will be reactivated. If the government hastens to pay off the agricultural debt, the area under cultivation could be increased, and that sector would generate its traditionally high level of employment. FEDECAMARAS has no magic wand to solve this grave crisis in an employment boom. We have to go through a period—hopefully as short as possible—when unemployment goes up; but it will come down automatically if we are consistent in our policy of economic reactivation. But things will not be so easy.

[Question] Earlier you mentioned tightening belts in response to the crisis. How can management tighten its belt, and how can labor?

[Answer] We businessmen have to be willing not to exaggerate price increases. We must achieve—as has been done particularly in Spain, for example—a concerted effort by everyone to keep prices at a reasonable level, so as not to damage industry but also to exert as little pressure as possible on consumers. Of course, any cost increases that arise during the crisis as a result of differential changes will have to be passed on. And the workers will have to ask for wage raises that are commensurate with the greater production obtained in businesses.

[Question] In this regard, what will FEDECAMARAS' position be on the Law on Costs, Prices and Wages?

[Answer] I think we should discuss with the CTV the positive aspect of that law, which is the idea of coordination between the government, private business and labor unions. That is positive. The only bad thing about the law is that the part that concerns prices is threatening; the decisions of the Commission are binding, and the latter becomes a kind of Recadi, a price regulating commission.

## Government

[Question] In our country it is common practice for state policies to change when there is a change in government. So far, there appears to be a good chance that Democratic Action (AD) will win in the next elections. What kind of relations will FEDECAMARAS have with a government that, according to businessmen, would be shored up by the CTV?

[Answer] This morning Dr Rafael Caldera called me to congratulate me on my new post, and I chatted with him. We both suggested that during his administration we will try to seek patriotic solutions coordinated between the government and FEDECAMARAS, and will try to maintain cordial relations with the greatest respect. At the same time, we both agreed that this institution should retain its autonomy in thought and action, considering that it is a major, respectable social force and there is no reason for the government or the opposition to meddle with it. I also received very encouraging calls from AD Secretary of Institutional Relations Alejandro Izaguirre, and the party's Secretary General Manuel Penalver. I had talked with both of them, and we agreed that if I won, it would be of the utmost importance to them to try to establish the Social Pact they have announced, with front-line participation by FEDECAMARAS. I think this demonstrates for you that we are willing to cooperate with the government, as long as there is respect for free initiative, stimulation for the economy, and serious, depoliticized action. As long as that happens, there is no reason for us to engage in guerrilla warfare.

[Question] Aren't you one of those businessmen who fear the Social Pact?

[Answer] No, why? As long as the Pact stands for coordination, I don't see any reason to fear it.

## Petroleum

[Question] Do you think the funds should be returned to Venezuelan Petroleum, Inc. (PDVSA)?

[Answer] I have been a very severe critic of the centralization of foreign reserves, because that deprived the PDVSA of its administrative autonomy. Although FEDECAMARAS indicated that technically the centralization of foreign reserves was unassailable, from the standpoint of the country's best interests it caused a lot of mistrust. Venezuela lives off its oil, and any sacrifice should have been made to keep petroleum-derived foreign reserves separate from the uproar that was happening in the rest of the economy. Unfortunately this was not done, and a system must be devised to reinstate two things for PDVSA: first, a greater flow of bolivars. There should be an increase in the contribution of 10 percent of sales, as provided by law. There should also be a change in the current system for setting reference prices, an absurd system that was justified when the multinationals were controlling petroleum; but now we should have a system for paying dividends after each operator is guaranteed the necessary means to continue its programs. As for dollars, there should be some agreement for a certain guarantee that PDVSA will have the necessary foreign exchange to purchase the goods and technology it needs abroad.

## Face to Face

[Question] What is your opinion of the confrontations between Arturo Sosa and Leopoldo Diaz Bruzual because of their disagreement about economic policy?

[Answer] You would have to be an idiot not to be aware that while we are bargaining with a negotiator as tough as the International Monetary Fund, the sector representing Venezuela is involved in infighting. That is undeniably a structural weakness in the negotiating process, because if one of the two sides is divided, it is at a tremendous disadvantage with the other. Thus, the president of the republic, my good friend Dr Luis Herrera Campins, has an obligation to create administrative coherence within the government. As long as there are two opposing factions in constant battle under his leadership, mistrust will continue to reign, and there can be no successful outcome of the negotiations with the banks. With all due respect, I would like to call upon Dr Luis Herrera Campins, who is my friend, as well as Dr Sosa, with whom I also have a very good friendship, and Dr Diaz Bruzual himself, to reach a basic and strict agreement under the president's direction, to unify the government's positions. If this is not done in this manner, the president should then exercise his authority and put his house in order.

[Question] How would you put the house in order?

[Answer] No, I can't give classes to the president. That is his problem; that's what we elected him for.

[Question] Nonetheless, at the recent FEDECAMARAS Assembly businessmen indicated that as long as Arturo Sosa remains as minister of finance, there will be confidence in the seriousness of economic policy. In light of Sosa's own announcement that he is resigned to not renegotiating the debt within 90 days, how do you view the appointment of a new finance minister?

[Answer] Arturo Sosa is a brilliant professional economist. He is an entrepreneur. He was also finance minister and member of the Junta during the serious economic situation the country underwent when Perez Jimenez fell. This is an indication to us that he is an exceptional Venezuelan, and the right man for this job. I think that Arturo Sosa's resignation could indeed aggravate the mistrust tremendously. That would be very regrettable. If the president has chosen him for the post of finance minister, I imagine he specified to him what policy should be pursued at the Finance Ministry, and if he is carrying it out, then I imagine he should back him up.

[Question] Do you feel, as Arturo Sosa does, that the debt can be renegotiated without resorting to the International Monetary Fund?

[Answer] I believe that the IMF's demands, based on the monetarism of the technocrats that run it, can be discussed and modified. But much of what the IMF says is what FEDECAMARAS has been saying, that public spending must be cut and the state enterprises must be straightened out. Perhaps the IMF is mistaken in saying that we should proceed immediately to a linear devaluation. I think that that step should be taken slowly and gradually, but steadfastly; and that little by little items from the 4.30 list should be moved to the

6-bolivar list, and from there to free exchange. I believe that this measure, properly implemented, in 18 months as Sosa proposes, and with the approval of Democratic Action, should yield good results. The other demands of the IMF appear reasonable to me, because FEDECAMARAS has been asking for them for some time now.

8926

CSO: 3348/604

## CTV PRESIDENT WARNS ABOUT POSSIBLE STRIKES

Caracas EL UNIVERSAL in Spanish 29 Jul 83 p 1-19

[Article by Ines Scudellari: "There May Be Social Disturbances If the Economy Is Not Revived, Says Jose Vargas"]

[Text] CTV [Confederation of Venezuelan Workers] to meet on Monday with FEDECAMARAS [Venezuelan Federation of Associations and Chambers of Commerce and Industry] to analyze the situation.

If the economic crisis is not solved during this month, the only remedy left will be to go out on strike. This announcement was made by Jose Vargas, CTV president, upon leaving the meeting held by the organization's executive committee.

Finance Minister Arturo Sosa, who was to attend the meeting with the CTV executive committee, did not show up because he had to attend the economic cabinet meeting. Jose Vargas said that he will have to learn about the proposals at the meeting through the press.

"The executive committee," Vargas announced, "examined the serious problem of supply shortages which exist now as well as the closing of numerous enterprises and massive layoffs."

He pointed out that National had discharged 700 workers and that it was left with only 100 "due to lack of raw materials to work." "The same is happening in other enterprises," said Vargas. "We presume that there are 600 layoffs in Canalizaciones and 800 at General Motors. Small and medium industry are resisting but they can collapse."

On the other hand, Jose Vargas said that it was not explained how the doors would be opened to imports from the countries of the Andean Pact in view of the crisis which the country is experiencing.

"We are also analyzing the problem of ports, a situation which can lead to even greater supply shortages in the country."

Jose Vargas announced that the small directorate of FEDECAMARAS would meet on Monday with the CTV to analyze the possible closing of many enterprises, the problem of debt refinancing, and the situation of Andean Pact.

"If the problem of dollars for the import of raw materials and equipment is not solved and if there is no economic revival, there is likely to be social trouble."

He pointed out that "due to the action taken by the attorney general of the nation," contracts already signed are not given the go-ahead "because they say that it is necessary to implement the law on safeguarding public assets."

He said that he had given instructions to the labor unions to take the necessary steps.

He announced that the workers at CADAPE [Electrical Administration and Development Corporation] would go on strike soon and that the workers at the Maiquetia Airport would do so thereafter.

"We blame," he said, "the attorney general and the national government for what might happen. We cannot take any more of that mockery. Today we are asking for an emergency meeting with the labor minister to analyze the situation. The most serious thing is the lack of ships in the ports and this is because RECADI [Differential Exchange Office] is not authorizing dollars to import raw materials and equipment."

5058

CSO: 3348/602

## INFLATION RATE EXPECTED TO REACH 50 PERCENT

Caracas MENSAJE ECONOMICO FINANCIERO in Spanish Jun-Jul 83 pp 11-12

[Text] The topic of inflation, above all after the launching of the Price Management System and the introduction, into Congress, of the Bill on Costs, Prices, and Salaries, has become something preoccupying. In the judgment of CONSECOMERCIO [Commercial Council?] Chairman Frank De Armas, the situation emerging in the economic field is difficult above all because, following the official measures, a tremendous shortage is now taking shape, leaving business operators unable to act. Commercial activities, according to FDA [Frank De Armas] "are declining, causing disinvestments, unemployment, and supply shortages."

"We are moving toward a profound crisis," he added, "because scarcity promotes supply shortages and supply shortages lead to price hikes." The top leader of Commerce and Services did not venture to point out just how high inflation would go but he did predict that it would come to something like 50 percent. According to him, anybody who thinks that the level could be lower "is either too optimistic or does not know what he is talking about." Things as a whole seem to be getting worse because there is no manifest readiness to resolve the situation on the government level. Decree 1971, for example, and the implementation of a complex form for a request to raise prices constitute obvious proof that the intention is to bring about a freeze and ever more entanglements. In spite of the absurd aspects of Resolution 3303 issued by the Development Ministry and already rescinded, it never called for a special form but rather for petitions to modify prices. To emphasize the complicated, untimely, and inapplicable aspect of the form provided for in 1971, Frank De Armas by way of example cited the case of just one company, Sanchez y Compania, which, to distribute around 160,000 different products in the hardware and machinery branch, had to purchase an equal number of sheets of paper at 15 bolivares, each, representing an investment of 2.4 million bolivares, merely in order to apply for a change in prices. According to FDA, this implies that the enterprise will have to suspend operations merely in order to fill out all those blank forms and to wait for a response from the Ministry of Development or for the expiration of a term of 90 days which would signify tacit approval of the petition. It seems, some people add, that the "brains" at the development ministry are completely unaware of the fact that "nobody is forced to do the impossible," a legal precept which is valid everywhere. This of course would be the germ of anarchy and boundless inflation.

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CSO: 3348/602

## ECONOMIC MEASURES TERMED TOO RESTRICTIVE FOR PRIVATE SECTOR

Caracas MENSAJE ECONOMICO FINANCIERO in Spanish Jun-Jul 83 pp 8-10

[Article by Jose Enrique Porras Omana: "Prices"]

[Text] As we go to press with this edition of MENSAJE, the country is awash in a sea of uncertainty because of two instruments that darken the horizon: The Price Management System and the Bill on Costs, Prices, and Salaries. Private business operators, whose participation could be the wall to stop the incoherent measures of the executive branch and the excessive appetites of the labor unionists, have been moving in an effort to make sure that things would not go beyond the bounds of good common sense and that every step taken would benefit the country's economy and not just a few. FEDECAMARAS [Venezuelan Federation of Associations and Chambers of Commerce and Industry] has been approaching the Development Ministry to underscore the need for keeping price controls on basic products but lifting those controls on other products. As Enrique Salas Roemer said, we Venezuelans are definitely caught between the devil and the deep blue sea; on the one hand we have the Price Management System and on the other hand we have the Law on Costs, Prices, and Salaries which was introduced into Congress by the CTV [Confederation of Venezuelan Workers]. According to ESR [Enrique Salas Roemer], these two instruments "are placing the businessman and, indirectly, the vast mass of workers, between two evils and, as Confucius said, two evils 'do not add up to one good.'" Analyzing the situation in an objective manner, the SPA [Price Management System] is nothing more than a decision adopted for the purpose of slowing down a presumed wave of speculation. This is why, "to the extent that the system approved to control prices is not administered efficiently, giving automatic recognition to those who were affected by the measures adopted by the executive branch, the businessmen who are in a position to recover their costs will continue to cut their operations back, reducing their personnel and even closing their companies."

Regarding the CTV proposal concerning the Law on Costs, Prices, and Salaries, in the opinion of Salas Roemer, "in the long run it is more dangerous because it will tend to subject the country's production process to a bureaucracy which is not confined only to the government but which would include representatives of the private, labor, or business sectors." This makes us think that a tendency dangerous to the country is being developed here in terms of progressively adopting ever stricter controls. In the final analysis, this

entails the risk that many persons would wind up controlling an economic process which at worse would cease to exist or, at least, would lose its dynamics since the rules of the game would be completely subjected to the discretion of civil servants, almost always on a low management level, who lack a clear concept as to the requirements to the expected manufacturers. If the private sector--the only really productive sector--is not given the opportunity to operate in an environment of sound freedom, then everything will end in chaos and the unexpected.

Nobody doubts the administration's good will in defending the consumer from speculative outbursts but one swallow does not make a summer and it has been demonstrated that a simple instrument is not a magic wand for doing away with abuses; the mass of consumers asks that, if anybody wants to defend it, use be made of more efficient and less harmful mechanisms.

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CSO: 3348/603

## PETKOFF REAFFIRMS OPPOSITION TO CALDERA'S CANDIDACY

Caracas EL UNIVERSAL in Spanish 29 Jul 83 p 1-12

[Article by Alirio Bolivar: "MAS Will Not Support Caldera Candidacy"]

[Text] Categorical denial by Petkoff. MAS [Movement Toward Socialism] candidate said that, in view of the despair over the defeat, Caldera and his party are calling upon all weapons of manipulation and deception. In denouncing a maneuver of rumors against him he gave assurances that the new president would spring from an opposition party.

The MAS yesterday accused the ruling party and its candidate, Rafael Caldera, of promoting rumors with the intention of confusing the voters. The dirty campaign by the Social Christian Party is designed to create the belief that the MAS will support Caldera during the final stretch of the election process.

Teodoro Petkoff held a press conference during which he presented a categorical denial and restated his iron and unalterable opposition to an administration which, like the present one, has brought the country to ruin and which has kept Venezuelans for several months in the humiliating situation of international beggars subjected to blackmail, threats, and the disdain of our creditors abroad.

He recalled that the MAS sprang up as an organization 13 years ago in opposition to the administration of Rafael Caldera and that it always maintained that attitude.

He believed that, no matter how absurd the Social Christian Party's and its candidate's campaign may be, it is perfectly understandable because the candidacy of the MAS has not ceased to demonstrate an unstoppable rise which seems destined to end only in triumph, while Caldera cannot achieve unanimity even among those who should be his strongest supports.

"Under these conditions," he said, "the ruling party and its candidate are calling upon all weapons of manipulation and deception. And one of those that seems most familiar is precisely the weapon of false rumors."

He pointed out that the members of the Social Christian Party are bound to be disappointed because there has been no, there is no, and there will be no action on the part of the MAS that could constitute a justification for this kind of opinion.

"We have been, we are, and we will continue to be the opposition party to the incapable administration of Luis Herrera Campins, to the ruling party, and to its candidate, Rafael Caldera."

He added that the basic position which he restated today is well known but it is also intended to disprove the counsel given by the ruling party which seems to presume that the MAS has some kind of suicide complex.

"What we gained with such difficulty during 13 years of fighting we are not going to surrender, much less now that triumph is beginning to emerge with a neat and clear line on the horizon," said Petkoff.

He gave assurance that the administration candidate is already defeated and that the future leadership of Venezuela is to be found in the opposition. The Venezuelan people will choose precisely among the opposition candidates and parties. The people have the alternative of choosing between those who are inseparably linked to the failure of a policy in which they have been partners for 25 years. The MAS represents the authentic rescue for an uncontaminated, young Venezuela of the future.

The voters are understanding this in such a way that, in the latest surveys conducted in the metropolitan area and in the country's eastern part, the MAS topped the ruling party in terms of voter intention, occupying second place, the Gallup survey was perhaps most humiliating in the State of Lara where the voting intention is 20 percent for the MAS and 5 percent for the MIR [Movement of the Revolutionary Left], more than the Social Christian Party.

5058

CSO: 3348/602

## NEED FOR DEVELOPMENT PROGRAMS IN RURAL SECTOR UNDERLINED

Caracas MENSAJE ECONOMICO FINANCIERO in Spanish Jun-Jul 83 pp 34-37

[Article by Rural Development Association President Mauro Carrero H.: "The Future Lies in the Rural Areas even Though the Countryside Continues without Spelling Out Its Future"]

[Text] Mauro Carrero is president of the Association for the Development of Rural Organizations 5-V and Housewives. He prepared an extract of the study entitled "Evolucion y Perspectivas de las Organizaciones Rurales 5-V y Amas de Casa" [Development and Prospects of the Rural 5-V and Housewives Organizations] for MENSAJE in which he presents a serious and alarming x-ray picture of the true socio-economic situation of the Venezuelan rural sector. In Venezuela, there is only 1 million persons who are involved in productive activities in the rural areas although more than 3.2 million Venezuelans live in the countryside. Public and private finances are not sufficient to take care of the problems of the cities, not to mention meeting rural necessities although this is where the nation can strengthen its true liberty and independence. Until 1980, there was a shortage of 300,000 housing units in population centers with less than 1,000 inhabitants. Right now, 59 percent of the beneficiaries of the National Agrarian Institutes live in thatched huts; there are 16,655 population centers without electricity and there is an unfair sacrifice in the way of life in favor of city dwellers. Medical and assistance services as well as education are marginal and provide more of an occasional function than a serious attempt at protecting and guiding the human resources which presumably are to save the country, beset by its financial difficulties.

Venezuela is a country with a population of 14,516,735 inhabitants. In analyzing the population structure, we find as a result that approximately 22.5 percent of the population (3,273,787) live in the rural sector. Out of this rural population, 53 percent are young people up to the age of 19, 10 percent are over the age of 50, and the remaining 37 percent make up the population responsible for agricultural production.

The country's economic, political, and social development is harmed by the development of the young people and the attitude and responsibility assumed by those who are in charge of the agricultural and livestock process. Hence the importance of achieving a higher and more adequate level of education in the rural areas so as to have human resources capable of facing, with maturity and initiative, all of the circumstances inherent in the agribusiness process in a systematic manner, with effective techniques applied in the field and with an indoctrination of the rural population regarding its social duties and rights, thus achieving the effective incorporation of the rural environment into the country's harmonious development. Instability in the rural areas, scarcity of economic resources, lack of training and knowledge, and expectations for improvements, idealized by the surge of the mass media--these add up to dissatisfaction within the rural family, in general, and among the young people, in particular, who, in an effort to overcome all of these troubles, move to the cities where they only find more frustration since their limitations are even further accentuated in that environment and all they manage to do is to swell the army of unemployed in the cities, leaving the rural areas more and more deprived.

When politicians invade the rural areas, they make promises which in many instances do not come up to the expectations or necessities felt by the communities and which are then not carried out or which are carried out only partly.

This entire series of factors of dissatisfaction is pushing the sector toward a conflict in such a manner that it could break out at any moment and that would force the country to become aware of the problems which the inhabitants of the rural areas face day after day.

Right now we can daily hear and see that "the country's future lies in the rural areas," but "our rural areas" are being deserted faster and faster.

Although efforts have been made to solve the problems of the rural areas, these efforts are not sufficient without the coordinated, coherent, and well-planned collaboration of all agencies responsible for tackling the problems of the rural areas as well as the strongest possible backing from the nation's political leadership.

The problems of the city, of big industry, of public high finance and of private high finance keep the problems of the growers and inhabitants of the rural areas in a marginal situation even though the latter are the ones who need the best possible and the fastest possible attention and assistance in the country, not only financially but also technically and socially, so as to get a profitable and productive job which would bring Venezuela to real liberty and independence since having to bow due to hunger would be the worst humiliation for a country which, such as Venezuela, has such a great desire for freedom.

The only way to achieve development in the rural areas is not only to devote attention to current production but, on the one hand, to form what has been called "the relief generation" which is nothing more than the rural youth, who must be taught and trained in rural management techniques and processes so that,

first of all, it may be useful to itself and to its community, so as to become the agent that will multiply knowledge, changing anachronistic forms of production and competing advantageously on the market. On the other hand the important thing is to guide and improve the rural family. What better way to attain this than through the mother, the family nucleus, who, with better education, will, through its better performance, bring us a family that will be socially and economically integrated into the environment and the country.

## Housing

There are many factors which contributed to the housing shortage in the rural areas. If we take reality as a reliable source, we find that this is the result of internal migrations within the country, the tremendous growth of the Venezuelan population during the last decades, and the multiplication of sanitary and social needs that must be met.

The inhabitants in rural areas live under preoccupying conditions; in addition to that there is the lack of adequate housing and there are no cleaning services, there is no public lighting, and there are no sanitation facilities.

Housing units available in the rural environment are in a bad state. The thatched hut, the prototype of the rural housing unit, does not guarantee the health of its inhabitants. This is due to the fact that its construction components are found free of charge in the environment (such as earth, straw, and cane); these are the carriers of diseases and there are no sanitary facilities and hygienic conditions are not adequate either.

In towns with less than 1,000 inhabitants, the housing shortage in 1980 came to a total of approximately 300,000 housing units. Among the beneficiaries of the National Agrarian Institute, 59 percent live in thatched huts and 52.3 percent of the streets in the settlements are impassable in the winter.

According to information supplied by the enterprise which is involved in lighting and electrification, there are 16,655 population centers with less than 500 inhabitants who do not have any electricity; this gives us a total of 1.2 million inhabitants, approximately. If we want to improve and develop the country's most valuable element, its human capital, we must begin by elevating that potential to more human conditions in terms of hygiene and health.

A favorable environmental setting for our rural areas would bring great benefits to the rural population, influencing the social, psychological, moral, and economic aspects and that in turn would improve the development of the generations that grow in this environment.

The difference between services supplied to the urban population and those supplied to the rural population as far as drinking water is concerned is quite noteworthy since transportation equipment, internal and external access roads are highly deficient, thus causing a further deterioration in the living conditions of the rural inhabitants.

## Health and Medical Assistance

This medical and assistance aspect of the rural areas has been constantly disregarded over the passage of time. The hostile environment in which the peasant lives exposes him to diseases since he does not have proper medical care.

Medical assistance is scant; it is therefore necessary to end medical absenteeism from the rural sector and to increase assistance to individuals in that environment.

The rural population on many occasions cannot get to those assistance centers because they are considerable distances away and on other occasions the roads leading to those centers are impassable.

According to statistics obtained, the dental service is highly limited; there is no oral hygiene. The indicators are dramatic and, according to the diagnosis of the CENDES [Industrial Development Center of Ecuador] at the Central University, the population's state of health is precarious.

It was reported that there are towns with more than 5,000 inhabitants who only have a single doctor and some of them do not have him permanently; the assistance centers are made up of "dispensaries" which have a minimum in terms of equipment and the most elementary medical assistance only.

Here are some of the causes of deficiencies in the area of health:

Shortage of basic services such as water, sewage, etc.; lack of guidance by health authorities regarding the benefits to be derived from the nutrition programs of the National Nutrition Institute; deficiencies in sanitary services; lack of medications and hospital centers with the proper equipment on that level; shortage of hygienic housing units and education in rural areas.

## Education in Rural Areas

Education in the rural areas in practice has been incomplete and deprived and has not managed to give the young people who grow away from the cities the minimum instruction necessary to achieve an average level of effectiveness which would enable the young people to be useful to their communities.

There is an education crisis in the rural areas which is due to various factors among which we might mention the following:

1. We do not have sufficient rural schools.
2. The basics of mathematics and history in many cases stop at the third grade.
3. Children of school age, whose families have more money, are sent to other locations with better possibilities of improving themselves; this only means that the youngster is taken away from his or her environment, having to adjust to a new way of life, until he or she is completely removed from the original environment.

The dispersion of the population in the rural areas, the low income levels of the rural family, and the need for young people rapidly to get into the work force--these make it even more difficult to carry out education plans which by themselves are already deficient and not at all suited to meet the needs of the environment of national development.

This is one of the causes of our real backwardness in the rural areas. Economic and social improvement can be obtained through the assimilation of modern production and distribution techniques but to do that the indispensable requirement is education whose foundation consists of learning to read and write.

Illiteracy leads to the deterioration of our human resources not only in cultural aspects but also in terms of economic achievements.

5058

CSO: 3348/603

## BRIEFS

GALLUP POLL--Lusinchi is holding on to his lead and Caldera gained in the statistics derived from the Gallup Poll. The survey was conducted in big cities (Caracas, Maracaibo, Valencia, Maracay, Barquisimeto, San Cristobal, Puerto La Cruz, Barcelona, and Puerto Ordaz) and gave the AD [Democratic Action] candidate 38.4 percent while the Social Christian Party candidate got 27.7. In the small towns, Lusinchi got 45 points and Caldera got 27. The total gives us an average difference of 14. These figures were obtained by this daily's newsman in an unofficial way. The result was to be turned over to the candidates yesterday and to the survey subscribers today.  
[Text] [Caracas EL UNIVERSAL in Spanish 29 Jul 83 p 1-1] 5058

CSO: 3348/602

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